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ABSTRACT

The large scale displacement of small farmers in the South is an important concern to all persons interested in the problems of low-income people. Despite a decline in the numerical significance of farming, a large part of the South remains rural, and agriculture continues to significantly influence the rural economy and rural labor markets. The South also contains a heavy concentration of the rural poor, many of whom are or have been part of the agricultural scene. The nonwhite rural poor and nonwhite farmers, most of whom are small, are overwhelmingly Southern. Any policy to deal with the problems of small farmers must be based on an understanding of the major categories of farm operators. The policies of the U.S. Department of Agriculture have been based largely on the assumption that small farms are not economically viable and that the world's food and fiber needs can best be met by large-scale energy-and-capital intensive agriculture; this position has come under attack since it is not clear whether large-scale farmers are intrinsically more effective than smaller ones. The use of labor saving technology makes little economic sense in view of the social costs created by the displacement of people. Among factors responsible for displacement of small farmers are technical economies of size, external factors such as access to bargaining power in agricultural markets, access to land and credit, and the effects of U.S. agricultural tax policies. The future of small farmers, without substantial changes in the institutional environment and without concerted effort by public institutions, is bleak. Included are 16 tables presenting data related to the delineation of major categories of farm operators. (EJ/BR)

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STATUS AND PROSPECTS
OF
SMALL FARMERS IN THE SOUTH

by
Ray Marshall and Allen Thompson

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CHAPTER I

INTRODUCTION

Why Study Small Farmers?

Despite the large-scale displacement of small farmers in the United States since World War II, many remain and their welfare is an important concern for all persons interested in the problems of low-income people. As will be discussed later, small farmers are not all impoverished. For public policy purposes, then, it is essential to delineate between the major categories of farm operators.

Some farmers are retired and have nonfarm income from pensions or investments. Some work mainly off-farm and farm either as a hobby or as a marginal source of income. Some work mainly in agriculture and supplement their income with off-farm earnings. Still other small farmers make their livings entirely from farming. Any policy to deal with the problems of small farmers clearly must be based on an understanding of such diversities.

It is also necessary to determine the economic viability of small farmers. Such a determination has profound policy implications for people all over the world. There are those who argue that small farmers have been displaced rapidly because they are inefficient and therefore cannot compete with larger, more efficient farmers who use modern technology and management methods. If this argument were correct, policies to aid small farmers could only be of a "welfare" nature, because small-scale farming would not have long-run viability. Small farmers who could not at least recoup costs in the short-run would be forced to use up assets, find other sources of income (public or private), or go out of business. The policies of the U.S. Department of Agriculture, in Democratic as well as Republican administrations, have been based largely on the assumption that small farmers are not economically viable and that the world's food and fiber needs can best be met by large-scale energy-and-capital-intensive agriculture. In this view, it would be wasteful to divert resources from the "more efficient" large farmers to less efficient small-scale agriculture.

The U.S.D.A.'s position has come under increasing attack on a number of grounds. It is not at all clear whether large-scale farmers are intrinsically more efficient than smaller ones or whether their apparent efficiencies are due to policies and personal characteristics subject to change by policy interventions. From an international perspective, there are those who doubt the wisdom of attempting to meet the world's pressing food needs (which will double in the next generation just to hold present nutritional levels) through the kind of agriculture contemplated by U.S. farm policy. The results of the so-called "Green Revolution" call into question the wisdom that improved agricultural production techniques alone can solve the world's food problems. (The "Green Revolution" is a program of foreign aid intended to help underdeveloped countries increase agriculture production. It has achieved that end, but the expensive techniques employed, including mechanization and high use of energy,

make this an increasingly questionable answer to the world's food needs.) Improved techniques can temporarily increase food output, but their long-run use could be catastrophic. Temporarily lower food prices, without land reform, could lead to larger populations which bid up the price of food so that any long-run benefits would accrue primarily to landlords.

Catastrophe could result wherever populations become dependent on large-scale agricultural techniques which unexpectedly become too costly, as happened when the Arab oil embargo caused petroleum prices suddenly to quadruple. Those countries and peoples unable to pay the higher energy prices could face mass starvation.

Of course it could be argued, as many U.S.D.A. officials and agribusiness representatives do, that the U.S. and other developed countries could produce the food for those countries which were unable to produce their own, but these officials and representatives offer little convincing evidence as to where the poorer nations and peoples will obtain the funds to pay the higher prices required to increase output in the United States. In a world where resources are growing more and more limited, the developed countries will not have the resources they had during the 1940-65 period and therefore, probably, will be less disposed to feed the world's hungry.

The introduction of labor-saving technology into labor surplus areas makes little economic sense when the social costs created in the displacement of people from farming are counted. Increasing energy prices, continued population growth, and food shortages will require the world to feed itself through labor-intensive techniques.

Large-scale energy-and-capital intensive agriculture also creates serious environmental problems. One of these is what biologists call "genetic erosion." Genetic erosion has occurred where hybrid seed strains have been developed which yield higher outputs under ideal conditions, but might yield little or no output if ideal conditions do not prevail. For example, some of the ideal strains producing the "Green Revolution" require larger amounts of fertilizer, chemicals, and energy for irrigation, harvesting, cultivating, and transporting supplies and products. Because of the greater yield of the hybrid strains, their use is likely to displace the less productive "natural" strains that have developed over millions of years. These natural strains might therefore become extinct. Such an occurrence would be disastrous if a pest destroys the hybrids or if the costs of producing the hybrids becomes prohibitive. The United States currently is trying to prevent this kind of calamity by maintaining a seed bank in Fort Collins, Colorado, but considerable damage already has been done and the director of the national seed bank is concerned that adequate resources have not been made available to make this project a success.

The consequences of the loss of native seed germ-plasm are staggering, when one thinks that within one short generation, human beings could throw away key evolutionary links in the food system -- all in the name of progress [2, 1975, p. 64].

Large-scale farming techniques require increasing amounts of energy, chemi-

cals and fertilizer. Barry Commoner and his associates estimate that nitrogen fertilizer use increased by 534 percent between 1946 and 1968; pesticide use increased by 217 percent during the same period. Commoner estimated that 57,000 tons of nitrogen fertilizer were required to produce the same crop yield per acre in Illinois that could be achieved with 11,000 tons in 1949 [2, 1975, p. 60].

It is estimated that the fuel required to produce corn, a typical crop, increased from 15 gallons of gasoline per acre in 1945 to 22 gallons in 1970. The fertilizer required increased from seven pounds of nitrogen, seven pounds of phosphorous and five pounds of potassium in 1945 to 112 pounds, 31 pounds and 60 pounds respectively per acre in 1970 [12, 1973]. These increasing energy, chemical, and fertilizer requirements are not only more expensive but also cause much more environmental damage than would have been true of more labor-intensive agricultural techniques.

David Pimental and associates conclude:

In the United States we are currently using an equivalent of 80 gallons of gasoline to produce an acre of corn. With fuel shortages and high prices to come, we wonder if many developing countries will be able to afford the technology of U.S. agriculture...

To reduce energy inputs, green revolution and U.S. agriculture might employ such alternatives as rotations and green manures to reduce the high energy demand of chemical fertilizers and pesticides. U.S. agriculture might also reduce energy expenditures by substituting some manpower currently displaced by mechanization [12, 1973, p. 448].

Many people argue that smaller, labor-intensive farming techniques will cause production to be less efficient than it would be if large-scale techniques were used. In their view, small farmers in the United States have been displaced through market forces because they are less efficient and therefore unable to compete with larger producers.

This argument leaves a number of questions unanswered, especially the meaning of the term "efficiency." As ordinarily used by many economists, "efficiency" means deriving as much output as possible on the individual farm with a given quantity of inputs. However, this definition raises several conceptual problems that complicate its usefulness for dealing with real world problems.

Such an approach ignores social costs arising outside the individual farm. These costs include the displacement from agriculture of millions of people whose experience, training, and education have not prepared them for nonfarm work. If these displaced people are to survive, some costs must be incurred for their maintenance. Society loses because of its failure to enable people so tragically manipulated to develop themselves to their full productive potential. Moreover, if they are unable to support themselves, society will likely have to pay in terms of welfare and for the acts of those who might, due to

their poverty, be driven to crime.

Agricultural tax losses and subsidies should be counted as costs of the present agricultural system. Because large farmers have been the primary beneficiaries of agricultural subsidies and tax advantages, it is difficult to determine whether large farmers have displaced smaller ones because large farmers are somehow more efficient or because of tax or government subsidies advantages.

Another social cost involved in the trend toward large-scale agriculture is the growing concentration of market power in food-and fiber-production among fewer large organizations. The number of farms in the South and in the nation has been declining and the proportion of farm sales accounted for by the largest farms is increasing rapidly. In 1960, 2.9 percent of farms with sales of \$40,000 and more a year accounted for 32.8 percent of cash sales. By 1974, these firms accounted for more than 70 percent of total output.

These overall figures conceal much greater control by large firms in some crops. Control of output by large organizations has been particularly rapid in cattle marketed for slaughter. In 1962, about two-thirds of such cattle were marketed from small feedlots with less than 1,000 head capacity; by 1973 these proportions had reversed and two-thirds of slaughter cattle came from large lots with capacities of 16,000 head or over. Moreover, the very large lots accounted for an increasing share of total sales; in 1962, only about 2 percent of sales were from lots with capacities of 32,000 head or more, compared with 20 percent of sales in such lots in 1974 [4, 1974, p. 23].

It is important to distinguish between the control of agricultural production by large farms and by corporate farms. There is little question that large farms dominate agricultural markets. However, it is also true that although farming corporations are increasing rapidly they presently control only a relatively small proportion of agricultural output. A U.S.D.A. study reported that probably less than one percent of commercial farms in the South in 1968 were controlled by corporate farms, although they did control 9 percent of the farms in Florida [3, 1971].

Economic concentration is being accomplished by so-called "vertical integration" of nonfarm enterprises into agriculture and contract farming, a procedure under which farmers enter into contracts with food processing or other nonfarm enterprises to produce certain crops. Between 1960 and 1970, the percentage of total crops produced under contract increased from 12.9 to 14.3 percent and the percent of total livestock so produced increased from 30.4 to 36.2 percent [9, 1972, p. 5].

Despite these increases, most agricultural products are still sold in open or uncontrolled markets. However, the growing concentration of control on the food processing side still creates problems for farmers. That is, even without formal marketing arrangements the market is more "open" on the supply side than it is on the demand side [11, 1972].

Statistics on the growing concentration of control of agriculture could be cited *ad infinitum* but the evidence is clear that larger farms dominate American

agriculture and that there is a trend toward control of agriculture by outside corporations.

The reasons for growing agricultural concentration are clearer than the implications of such growth for public policy. Technology is obviously one of the most important causes of concentration. Expensive technology and land costs have escalated the capital requirements for even the smallest size optimal farms. Although technology often is introduced in order to expand profit margins [8, 1970, pp. 748-760], there is evidence that many farmers introduce technology when there is no apparent economic reason to do so. In North Carolina, for example,

...many decisions regarding substitution of capital for labor seem to have been made in the absence of, or even in spite of, economic logic to the contrary. We have many small farms which are highly mechanized. One of our researchers recently said, "Some of our farmers have mechanized an operation which would not have been economically feasible even if opportunity cost for labor were \$200 an hour [5, 1973, p. 84].

Concentration also results from efforts by food and agriculture processing and retail firms to gain control of homogenous supplies of agricultural products. These agricultural supplies might be important in the overall profitability and control of markets by conglomerates and nonfarm enterprises, even though the agricultural enterprise by itself might not be profitable. Contracting might be more profitable to large nonagricultural business or processes than vertical integration. For example, in 1969, a good year for broiler production, the net return to the average broiler farmer was only \$2,000 a year -- which undoubtedly is a good bit lower than the corporation would have had to pay these farmers if they had been corporate employees. Of course, returns this low are possible because the contract arrangement gives the corporation considerable bargaining power over individual farmers.

Large farm operators also have increased their control of agriculture because of tax advantages and U.S. agricultural policies to be discussed in Chapter II.

Price instability has been an important problem for small farmers, who have inadequate resources to carry them over bad years in order to take advantage of good ones. Larger firms not only have the resources to carry them over such bad years in agriculture, but through accounting manipulations conglomerates can actually make money on agricultural tax losses [6, 1972, p. 15-21].

NATIONAL AND INTERNATIONAL AGRICULTURAL POLICY

The problems of small farmers must be understood within the context of national and international agricultural developments. There has been some speculation that the international food crisis will greatly increase the economic opportunities for small farmers. These worldwide agricultural developments will be outlined before we discuss the conceptual framework we have found useful in

analyzing the problems of small farmers.

Present American agricultural policy had its origins during the Great Depression of the 1930s. Those policies were designed primarily to overcome surplus agricultural production which contributed to the depression and made economic recovery difficult. Since agriculture was such an important component of the economy, recovery would have been very difficult so long as farmers were unable to sell their output for prices high enough to cover costs.

Although weather, insects and other pests contributed to the farmers' problems during the 1920s and 1930s, price structures played a major part in creating financial hardships for agriculture during those years. Because food is a necessity, consumers are not likely to change their aggregate purchases very much if prices change -- which means that aggregate quantities sold are not very responsive to price changes. (Economists call this inelastic demand.) By the same token small changes in aggregate output will cause prices to fluctuate widely; small increases in aggregate output will cause prices to fall a great deal and small decreases produce large increases in prices.

Individual farmers sell their output in very competitive markets. Each farmer, therefore, ordinarily has no control over price; a given farmer's entire output can be sold at prices determined by demand and supply. Because of these relatively stable aggregate demand conditions, the prices faced by individual farmers tend to fluctuate widely with changes in largely unpredictable supplies. During periods of high farm prices, like those prevailing during World War I, farmers tend to expand their output, usually by incurring debt, in order to take advantage of prosperous conditions. However, when output expands and prices fall, as they did during the 1920s, individual farmers have trouble paying off those high fixed debts.

Farmers' economic problems are aggravated by the fact that their costs are determined largely by prices charged by manufacturers, whose market conditions are much less competitive than those for farm products. As a consequence, farmers' costs do not fluctuate as widely as their revenues. As a result, farmers often get caught in a cost-price squeeze where the prices they receive fall to the point where they are not able to cover their costs. About the only thing individual farmers can do to solve their financial problems is to expand output. But when all farmers do this simultaneously, prices will fall more than output increases (because of inelastic demand conditions) and farmers collectively receive lower total revenues from greater output. If this condition persists for very long, farmers will be thrown into bankruptcy. But if farmers go broke, they will no longer be able to pay off their debts or buy from manufacturers. Thus, agricultural depressions could lead to general depressions, especially when agriculture accounts for a large share of the gross national product. It became clear during the 1930s that economic interdependence was such that the nation was not likely to have enduring prosperity unless all major sectors shared in the prosperity.

Congress reacted to these problems in agriculture with programs to establish "parity" or equity between farming and other sectors. These programs involved

measures to curtail output and prevent agricultural prices from falling below prescribed levels. Because the prices fixed by government tended to be above the prices that would clear most agricultural markets, surpluses tended to accumulate except for periods such as World War II and the Korean War, when government policies encouraged greater output. In order to move these surpluses during the 1950s and 1960s, the federal government sold food at low prices or gave it away for export under the "Food for Peace" program, school lunch programs, or for the poor in the United States under the commodity distribution program.

The world agricultural situation changed abruptly during the late 1960s and early 1970s as a result of crop failure in Africa, Russia, and the Far East, and rising demand for American exports stimulated by rising incomes in the developed countries. Large-scale Russian grain purchases to compensate for crop failures in the USSR were particularly important. As a consequence of these developments, American agricultural surpluses were virtually eliminated during the early 1970s.

The Present Situation

By 1976 the world agricultural situation was considerably different from what it was during the 1950s and 1960s. Instead of surpluses, world food reserves had been depleted; hunger, malnutrition and starvation were widespread; and there was worldwide concern about the "food crisis." The United States responded to these national and international developments by curtailing food assistance programs to other countries and increasing food sales abroad. In 1972, the United States earned \$7 billion in commercial farm exports; by 1974 this had risen to \$20 billion. More than half of all grain entering world export markets that year came from the United States, which accounted for 70 percent of the world's corn and 86 percent of its soybean exports. Looked at another way, three-fourths of the nation's wheat, half of its soybeans and a third of its corn production are exported.

The United States also took advantage of high agricultural prices and strong national and international demand to shift its agricultural policies toward more reliance on markets and less on government controls. The Agriculture and Consumer Protection Act of 1973 replaced fixed price supports with "target prices" set by the Secretary of Agriculture. Under the new arrangement, farmers are compensated for the difference between sale and target prices. However, the target prices are so much lower than market prices that, for all practical purposes, farmers operated without price controls in 1975.

Causes of Price Instability

Despite all of the changes since the 1930s, the basic causes of agricultural price instability remain. Indeed, the growing dependence on international markets has even made prices more unstable. In addition to the inelastic demand for agricultural products, current causes of agricultural price instability include:

- (1) Despite growing control of output by larger farmers, agriculture remains one of the most competitive industries with the result that [a] each farmer adapts to lower prices in the short run by increasing output, which only reduces aggregate income and [b] farmers' costs are largely determined by "administered" nonfarm prices which are partially insulated from competitive market forces. Cash farm expenses have increased greatly relative to farm income since the 1950s. These expenses were half of farm income in 1960 and 70 percent in 1970.
- (2) Within agriculture, some prices change faster than others, causing costs for some factors to rise faster than their revenues. For example, the tendency for people to respond to inflation by "buying down," (i.e., shifting purchases for higher-priced products like meat to lower-priced products like cheese and beans) together with rising international demand for grain, produced serious problems for livestock producers whose feed costs rose much faster than their revenues.
- (3) Unpredictable natural forces such as weather, plant diseases and pests create output and price uncertainties.
- (4) Because of rapid changes in technology, farmers require increasingly large investments, and farmers are financing those investments more through borrowing than formerly. In 1974, for example, debt was involved in 86 percent of farm land transfers in the South and the United States; this was about double the proportion of such transfers involving debt in the years immediately after World War II. As a consequence, the ratio of debt to the purchase price of land reached an all-time high of 75 percent in 1973. This growing reliance on debt represents a departure from farmers' historic strategy of financing land and equipment from income and savings; farmers financed 83 percent of capital formation from these sources in 1960, but only 58 percent in 1972. The debt-to-asset ratio of farm proprietors was 9.4 percent in 1950 and 12.2 percent in 1960 and 19.4 percent in 1973. These higher debt ratios make it more difficult for small farmers to cope with price instability.
- (5) The USSR and other planned economies constitute a new source of international agricultural price instability. Before the 1970s the Russians responded to their domestic agricultural shortfalls by curtailing consumption. In the 1970s, by contrast, the Soviets responded to crop failures by massive purchases in international markets. These Russian purchases have been very large and unpredictable, causing wide unexpected fluctuations in prices.

Implications for Southern Agriculture

While it is not possible to predict with complete accuracy the impact of these changes on Southern agriculture, some probable developments seem fairly

clear, including:

- (1) Southern agricultural output will undoubtedly continue to depend heavily on national developments, as it has in the past. Projections for some major crops in the United States and the South between 1975 and 1985 are shown in Table I-1. Output is expected to grow faster in the South than the rest of the nation in 11 of the 22 crops shown in Table I-1.
- (2) Because farmers have more difficulty adjusting to price changes than nonfarm business, the economic health of agriculture depends heavily on the rate of inflation. For example, Tweeten concludes, on the basis of a detailed econometric study:

The financial health of the farming industry depends heavily on the inflation rate. With four percent inflation, a free market appears to be feasible. With six percent inflation, the most likely average rate in the future in my judgment, farmers will be sufficiently pressed by falling net incomes to ask for governmental intervention in the market, but that intervention seems within socially acceptable bounds based on past farm programs. With eight percent inflation, problems are acute and the level of government intervention called for by the mandatory or direct payment programs appears unacceptably large. Inflation at the 1973 rate, when prices paid by farmers increased 17 percent, if continued will be a financial disaster to farmers. Farmers have a major stake in sound monetary, fiscal and price control policies that bring inflation to much lower rates [13, 1975, p. 22].

- (3) The economic health of agriculture also will be influenced by public and private policies to deal with the world food crisis. The severity of this crisis will, in turn, depend on a number of factors, especially the weather, which some scientists believe is undergoing ominous changes. According to the Director of the Institute for Environmental Studies at the University of Wisconsin: "There is a very important climatic change going on right now...if it continues [it] will affect the whole human occupation of the earth -- like a billion people starving" [14, 1975].

Similarly, in May, 1974, a group of twenty-one international scientists concluded, from a study conducted under the auspices of the International Federation of Institutes for Advanced Study:

...a new climatic pattern is emerging. There is growing consensus that the change will persist for several decades, and that the current food-production systems of man cannot easily adjust.... We believe that this climatic change poses a threat to the people of the world. The direction of the climatic change indicates major crop failures almost certain within the decade. This, coinciding with a period of almost nonexistent grain reserves, can be ignored

TABLE 1-1: THE U.S. AND THE SOUTH'S AGRICULTURAL PRODUCTION, 1970-72 AND 1985

Comodity	1970-72 Average			1985 Projections			U.S. 1985 as Percent of U.S. 1970-72 (Percent)	South 1985 as Percent of South 1970-72
	U.S.	South	South's Share of U.S. Production (Percent)	U.S.	South	South's Share of U.S. Production (Percent)		
	(Millions)			(Millions)				
Wheat	1,505 bu.	188.4 bu.	12.5	1,528 bu.	264.9 bu.	17.3	100.5	140.6
Rye	39 bu.	4.7 bu.	12.2	43 bu.	6.9 bu.	15.9	112.2	146.8
Rice	8,491 lbs.	6,647 lbs.	78.3	10,487 lbs.	7,992 lbs.	76.2	123.5	120.2
Corn	5,089 bu.	420.8 bu.	8.3	6,613 bu.	393.5 bu.	6.0	129.9	93.5
Grain sorghum	795 bu.	373.0 bu.	46.9	1,148 bu.	570.4 bu.	49.7	144.3	152.9
Oats	831 bu.	49.7 bu.	6.0	752 bu.	43.9 bu.	5.8	90.5	88.3
Barley	434 bu.	33.0 bu.	7.6	557 bu.	50.6 bu.	9.1	128.2	153.3
Hay	128 tons	20.6 tons	16.1	138 tons	20.8 tons	15.1	107.3	101.1
Soybeans	1,193 bu.	326.8 bu.	27.4	1,800 bu.	541.4 bu.	30.1	150.9	165.6
Peanuts	3,091 lbs.	3,073 lbs.	99.4	4,408 lbs.	4,369 lbs.	99.1	142.6	142.2
Cotton	5,478 lbs.	4,300 lbs.	78.5	5,702 lbs.	4,232 lbs.	74.2	104.1	98.4
Sugarcane	26 tons	14.3 tons	55.2	29 tons	17.1 tons	59.0	112.0	119.6
Tobacco	1,788 lbs.	1,662 lbs.	93.0	1,665 lbs.	1,558 lbs.	93.6	93.1	93.7
Irish potatoes	313 cwt.	18.5 cwt.	5.9	357 cwt.	21.2 cwt.	5.9	113.8	114.6
Sweet potatoes	13 cwt.	11.4 cwt.	91.2	9 cwt.	8.0 cwt.	87.5	72.8	70.2
Cattle, calves	40,020 lbs.	12,305 lbs.	30.7	55,051 lbs.	17,129 lbs.	31.1	137.6	139.2
Hogs	22,174 lbs.	3,826 lbs.	17.3	27,484 lbs.	3,815 lbs.	13.9	123.9	99.7
Sheep, lambs	1,051 lbs.	311 lbs.	29.6	407 lbs.	73 lbs.	17.9	38.7	23.5
Chickens, except broilers	1,173 lbs.	533 lbs.	47.1	1,452 lbs.	806 lbs.	55.5	123.8	145.8
Turkeys	2,297 lbs.	738 lbs.	32.1	3,381 lbs.	1,027 lbs.	30.4	147.2	139.2
Eggs	69,400	28,533	41.1	75,484	35,074	46.5	108.8	122.9
Milk	118,540 lbs.	20,020 lbs.	16.9	118,850 lbs.	17,536 lbs.	14.8	100.2	87.6

Source: U.S. Department of Agriculture, Economic Research Service, "Agriculture's Capacity to Produce: Southern States." *The Farm Index*. Washington, D.C.: April 1974, p. 14.

only at the risk of great suffering and mass starvation [10, 1974, p. 27].

Whether and how the food crisis will be met is debatable. A study by the Economic Research Service of the U.S. Department of Agriculture concludes that while the world food situation is precarious and is likely to remain that way through 1976, "it has resulted from a combination of factors which can be overcome," and "for the next decade or so the probability is good that [world] food production, in total, will keep a half step ahead of population growth, but there will be times and places of critical shortage [14, 1975, p. 3].

As noted earlier, the food needs of the developing countries must be met in part from increasing their own domestic production and in part by imports from the developed countries. The extent to which the food needs of these countries stimulate American agricultural output will depend on [a] the developing countries' ability to pay, which will be limited, and [b] whether government or private organizations raise funds to pay for food exports to those countries.

Whatever happens internationally, the United States' interest is clearly served in the establishment of a national food reserve and of reserves in other countries. These reserves could be used to meet emergency needs and stabilize prices. National reserves could be expanded when prices were slightly below an established support level and sold when prices were, say, 50 percent above that level. This system could prevent wide fluctuations in prices and provide farmers with incentives to increase output.

Because the food problem is world-wide, the most effective program to deal with emergencies should be international in scope. Probably, the most practical arrangement would be for nations to hold their own reserves but to have them coordinated internationally. Consultative arrangements on food matters might avoid international tensions resulting from unilateral actions. Because of its importance for human welfare everywhere, food reserves could be important mechanisms for world peace.

The world food problem could have important implications for grain, livestock, and poultry production in the United States and the South. As can be seen from Table I-1, the South produces a significant part of the nation's cattle (31%), chickens (except broilers) (56%), turkeys (32%), sheep and lambs (30%), and eggs (41%). Moreover, the region is expected to hold or increase its proportions of most of these products by 1985. Since grains are the world's principal food crops, international food shortages are likely to have important implications for the production of these crops. The South is expected to increase its output of all grain crops except corn and oats between 1975 and 1985.

The livestock and poultry industries are important for the world food crisis because grain used to feed animals constitutes a "natural" reserve. If grain shortages become critical, grain can be used to feed people rather than animals. As noted earlier, the livestock industry, particularly beef, already has been adversely affected by rising grain prices. If this trend continues, there could be a significant international shift away from the production of grain-fed cattle

to poultry (which is a more efficient converter of grain than cows) and grass-fed cattle. (The cow is not a very efficient converter of grain, but is a very efficient converter of grass.) With mass starvation and malnutrition in the poorer developing countries, there are likely to be moral as well as economic reactions to the growing dependence on meat by people in the richer countries. Reduced dependence on meat is likely to become a reality if the dramatic weather changes predicted by some experts materialize.

Implications for Small Farmers

It is difficult to predict the impact of the international food crisis on the distribution of benefits between small and large farmers in the South. Again, much depends on the policies adopted by the United States and other countries. In the United States, relatively small farmers are not likely to be very much affected by international developments, because their production is a relatively small part of total agricultural output. Moreover, small farmers are not concentrated in those crops -- particularly grains and soybeans -- which depend heavily on export markets. Small operators are heavily involved in the poultry industry as contract farmers, and this industry is likely to expand both in terms of national and international trade. On balance, however, international developments are likely to strengthen the dominance of medium-sized commercial farmers in the United States. The very large energy- and capital- intensive agricultural operations are likely to be adversely affected by rising energy prices and environmental controls in many of these activities. Ironically, the food crisis is likely to strengthen small farmers in the developing countries because of the realization that the only way many of these countries can feed their people is through labor-intensive agriculture.

Human Resource Aspects

Because it differs in some important ways from the traditional approach to the study of farm problems, we should make our conceptual framework explicit. We take into consideration several characteristics which traditional analyses of farm problems ignore. First, we focus on the *human resource development* aspects of farming rather than on agricultural commodities. We are concerned about agricultural output merely as one source of income for farm families. We also are interested in farming as a means of improving the quality of life of people who live in rural areas and not as an end in itself. We are concerned, for example, that some kinds of farming have provided limited opportunities for farmers to develop themselves and have had a detrimental effect on the environment.

It is clear that small farmers and larger ones operate in different systems and under different conditions. Larger commercial farmers are responsible for most of the output of agricultural commodities but represent a relatively small proportion of the farm people; concentrate mainly in the production of capital-intensive crops like grain and soybeans; employ most of the hired farm laborers (many of whom are small farmers); derive most of their income from farming; are relatively better organized economically and politically; produce more for

international markets; and receive most of the agricultural subsidies.

Small farmers, by contrast, derive most of their income from off-farm work in agriculture and nonfarm jobs; concentrate more in labor-intensive crops and small-scale livestock operations; are not well organized economically or politically; do not produce very much for international markets; employ very little hired labor; account for a larger proportion of the farm population but produce a relatively small amount of the value of agricultural output; and receive a very small part of total agricultural subsidies.

Viewed in this perspective, a study of small farmers becomes much more important than it would be if we took the traditional commercial farming approach. The 16 percent of farms with sales of over \$40,000 a year produce over 70 percent of the total agricultural output while 65 percent of farms producing an average of less than \$10,000 in gross sales account for only a little over 10 percent of the total output. To agribusiness interests, it is the *quantity* of output that is significant, not the *quality* of life for those involved in small farming.

Thus such interests are likely to dismiss small family farmers as "unimportant" or "welfare" problems. But it should not be forgotten that farmers with sales of less than \$10,000 controlled nearly a third of the land, 44 percent of the tractors and 25 percent of the cattle in 1969. These small farms were the place of residence of about 5 million people -- more than half of the total farm population. We believe that the advantages of enabling small farmers to remain in farming should not be cavalierly dismissed.

We focus attention on the *interrelated parts of a system* and the relationships among other systems. This focus is particularly important for public policy purposes because it draws attention to the main actors who control and benefit from a system; the structures, laws and procedures adopted by those actors to protect and advance their interests; and the consequences for the nation or particular groups.

It is important to seek answers to such questions as what is the dominant agricultural system in the United States? Who are the principal actors within that system? What are their motives and the sources of their power? How do these actors interact with governments and other institutions in the larger national system? Are the consequences of the system desirable or undesirable for consumers, for the distribution of economic and political power, or for the development and survival of people that lack the power to restructure the system? If the outcomes of a system are undesirable from the viewpoint of a particular group or a particular national concern, how can it be modified? If it cannot be easily modified, how can another system be organized to help those adversely affected by the dominant system?

We believe, for example, that the present agricultural system is dominated by certain actors who attempt to maintain control primarily for their benefit. The controlling figures in this system (large farmers and their organizations, the U.S. Department of Agriculture, the land-grant college system, food processors, agricultural equipment dealers, key congressional representatives and senators) share certain values about how the system should operate and for

whose benefit. These values permeate the system, whether or not they have any basis in reality.

Since small farmers tend to be less organized politically and economically than their larger counterparts, they have less influence. Large food processing operations (for example, the Grocery Manufacturers of America [GMA] and the National Canners Association [NCA], and nonfarm enterprises integrated into farming) have more power to affect the system than hundreds of thousands of small farmers.

By being more concerned with the system and its consequences, we are less likely than orthodox analysts to accept institutional arrangements uncritically and to analyze problems within the framework of those institutions; we are most likely to focus on the need for changing those institutions and the system itself. Similarly, our approach requires attention to be focused on comprehensive rather than partial solutions to problems.

We are concerned with social as well as private costs. In evaluating the efficiency of the agricultural system, for example, we would include governmental costs in the form of subsidies mainly for the benefit of large agricultural producers, as well as such social costs as those associated with the displacement of people from agriculture and damage to the environment.

We do not concentrate entirely on the economics of agriculture in isolation from other relationships influencing agricultural decisions. This means that we analyze small farm families as being involved in both farming and nonfarm activities -- which makes it more appropriate to consider all the income sources for the entire family rather than viewing the agricultural operation alone. Such an approach can explain why farming on a small scale might be viable because it is a part of total family income rather than being the sole source. We shall see that the economics of such a small scale agricultural undertaking are different from that of corporate enterprise purchasing most of its labor and other labor inputs in the open market. Moreover, the distribution, as well as the level, of income growth is considered an important area of inquiry.

Finally, we are concerned with the consequences of the way particular systems operate and therefore attempt to discover ways either to overcome adverse consequences of certain systems or to adopt new ones. For example, the profit motive causes industry to locate in certain places and hire certain kinds of people while excluding other people and places. In such cases, new organizational forms might be justified to provide development for the excluded people and places. Similarly, the present agricultural system has displaced small farmers and created problems for society. It might therefore be necessary to develop a system to solve these problems. Of course, it also might be possible to modify existing systems rather than creating new ones; but systems, by their very nature, are hard to change.

While most of our observations and conclusions hold equally for small farmers everywhere in the U.S., particular emphasis is given to the Southern region for the following reasons:

- (1) The South has a larger number of small farmers and small farmers account for a larger percentage of farmers in the South than elsewhere in the United States.
- (2) Despite a decline in the numerical significance of farming, a large part of the South remains rural, and agriculture continues to significantly influence the rural economy and rural labor markets. The South also contains a heavy concentration of the rural poor, many of whom are or have been part of the agricultural scene. Finally, the nonwhite rural poor and nonwhite farmers, most of whom are small, are overwhelmingly Southern. Thus, our study, while not ignoring small farmers elsewhere, does concentrate attention to the problems as found in the South.

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CHAPTER II

DIMENSIONS OF THE SMALL FARMER PROBLEM

Introduction

An adequate assessment of the problems faced by the small farmer requires a clear understanding of the quantitative dimensions of the small farmer population. This chapter discusses the past and present characteristics of farmers in terms of farm size, age, education, income and other features. Particular attention is given to comparisons of small with large farmers, white with non-white farmers, and farms in the South with those in the rest of the nation.

Most students approach the study of small farmers with at least an intuitive feeling for what is meant by the term, "small farmer." However, the concept has little consistent meaning to all groups. This chapter therefore begins with an attempt to define farmers and to specify the group we identify as "small." The appropriate unit for analysis is considered to be the family, not the farm, and the appropriate framework is seen to include both the farm and nonfarm earnings and opportunities for farm operators and their families. Measures of "smallness" which would incorporate this framework are discussed.

Definitions and Measures

It is necessary first to discuss some concepts, definitions, and measures. Several questions must be answered: (1) What is the appropriate unit of analysis? (2) What is a farmer? and (3) What are the measures of "smallness" most useful in distinguishing large from small farmers?

In analyzing such questions, we focus on the people engaged in agriculture and on the human resource problems arising from trends in agricultural production, technology, and public policy. Historically, it was reasonable to assume that farmers and farm families lived on farms and were almost totally dependent on income from farming operations. Under that assumption a study of farm units gave a fairly accurate picture of the welfare of the corresponding family units. Today, however, few families are totally dependent on farm income. A growing proportion of farm operators work a significant amount of time in nonfarm activities, and nonfarm earnings are a rising percentage of total earnings. Decisions to engage in farming are not made solely on the basis of income from farming, nor is the decision one of whether to specialize in farm or nonfarm employment. Rather, the questions, for many, are what combination of farm and off-farm employment is optimal, and what can be done to improve the incomes of low income people on and off the farm? While some studies of agriculture use a concept of a farmer as one who works exclusively on his *own* farm, many farmers, especially smaller operators, derive considerable earnings from working as *agricultural workers* as well as combining farming with nonfarm jobs. Moreover, the earnings of spouses and other family members, which are largely from off-

farm sources, constitute a growing proportion of family income for farm families. Given these realities, it is unwise to approach the problems of farmers apart from total family income.

Dramatic changes in agriculture have blurred the once clear distinction between the farm and nonfarm populations and have made identification and enumeration of farmers a difficult task. Until 1975 the Bureau of the Census defined farms as places of either (a) 10 or more acres where annual sales of agricultural products amount, or normally would amount, to at least \$50, or (b) fewer than 10 acres where annual farm sales amount or normally would amount to \$250 or more [10, 1969]. In 1975, the definition of a farm was changed to include only those farms with gross sales of \$1,000 a year or more. The use of either of these criteria has meant increasing differences in the individuals counted as farm operators, ranging from those who operate large-scale farms on a relatively full-time basis, to those who are essentially nonfarm but who derive a small amount of income from agricultural operations -- so-called "hobby" or "weekend" farmers.

While there is general agreement that operators of relatively large-scale farms should be counted as farmers, even though they may have other sources of income or spend some time in nonfarm activities, several conceptual problems are raised by the inclusion of large numbers of operators with those who make small absolute amounts of farm income. This latter group is heterogeneous. Some are "hobby" farmers; some split their time between farming and nonfarm employment and supplement nonfarm income with farm work; others are officially classified as poor and rely entirely on the small amounts of farm income for survival.

The Bureau of the Census, backed by some U.S.D.A. officials, some agricultural economists, and the Office of Management and Budget, raise the minimum amount of farm sales required to be classified as a farmer. The motivation for the change is a feeling that

The present concept includes a large number of units which make little contribution to total agricultural production and have little relevance to agricultural programs. To the extent that the individuals and families involved with these small units present problems affecting public welfare, these are not problems within the framework of agriculture.

. . . Statistics of industrial production omit products of establishments with annual sales of less than \$2,500. The activities of these small enterprises cannot affect trends in overall totals. The functions they perform are less economic than human and social. In this respect modern agriculture is not much different [5, 1972, pp. 361-2].

In August, 1975, when the Bureau of the Census and the U.S.D.A. agreed on a new definition of a farm as a place selling or expecting to sell \$1,000 or more worth of products a year, a new classification of farms was adopted:

1. Primary farms are those where the operator spends at least half his work time on the farm or where a corporation derives at least half of its income from farming.
2. Part-time farms are those where the operator spends less than half-time working on the farm.
3. Business-associated farms are those operated by corporations that derive less than half of their income from farming.
4. Abnormal farms are those operated by institutions such as schools or experimental farms.

The new definition of a farm would exclude a larger proportion of farms in the South than in any other region; 20.9 percent of all farms in the United States would have been excluded by this definition in 1969, but the following proportion of all farms in the Southern states:

	Percent of Farms \$1,000 Sales		
	<u>Farms</u>	<u>Land</u>	<u>Value of Sales</u>
Virginia	28.6%	12.0%	1.4%
North Carolina	27.9	14.4	1.0
South Carolina	37.2	14.9	1.5
Georgia	28.5	11.3	.7
Florida	28.9	4.7	.3
Kentucky	26.4	12.1	2.1
Tennessee	35.8	15.8	3.2
Alabama	40.1	15.8	1.6
Mississippi	40.9	14.4	1.6
Arkansas	25.0	8.6	.6
Louisiana	33.8	9.0	1.1
Oklahoma	18.4	4.6	.7
Texas	24.2	3.7	.7

The new definition would reduce the number of black farms by about one-half of the 1969 level. Also, about one-fourth of the people living on farms excluded by the new definition were primarily engaged in agriculture in 1969. The

size change is expected to have little impact on total farm income, but dropping the lowest 16-18 percent of farms in terms of earnings will raise average incomes.

The elimination of small farmers from the census might have important policy implications. The Census of Agriculture is currently the most important source of information on the number and characteristics of farmers. As such the Census has an important impact on agricultural policy, which, as subsequent parts of this study clearly show, currently is stacked against the small farmer. Eliminating information on this group from the census statistics -- even if similar information on families with farm income is collected in the Census of population -- apparently is motivated by a desire to put small farmers "out of sight." We have serious reservations about basing policy decisions on information which (a) restricts consideration to the farming operation alone, and (b) does not cover smaller farmers.

Those who opposed the redefinition of farms were concerned that small farmers would lose identity and agricultural benefits. It was emphasized that such a definition would cause U.S.D.A. agencies to be even less willing to serve small farmers than it is now. Some small farmer spokesmen resist losing their farm identity because they do not wish assistance to this group to be regarded as welfare.

The definition of farm indicates the basic conflict between agribusiness and small farming. Agribusiness groups consider the small farmer problem to be one of welfare and not of agricultural policy. Our approach, which focuses on small farmers as people, stresses human developmental aspects. In other words, we are concerned with acquiring enough information about the characteristics of different categories operators and their families. The elimination of small farmers from the data on which most agricultural policies are based apparently rests on the assumption that small farmers are not productive and cannot be made productive. Secretary Butz, a leading advocate of farm policies geared to large-scale commercial farming, has commented that keeping small farmers tied to the land is equivalent to sentencing them and their families "to meager incomes and inadequate levels of living because of their low levels of efficiency and production" [1, 1974]. Unfortunately, this opinion fails either to recognize the limited nonfarm opportunities available to many of these small farmers or that improvements in farm productivity represent the best alternative for increases in many farm family incomes.

The failure of past policies based on a narrow view of the agricultural system that ignores the small farmer has been manifested in the persistence of rural poverty and urban problems. More and better, not fewer and limited, opportunities in agriculture seem to be more appropriate. An improved conceptual framework and expanded data base are necessary to achieve the understanding on which adequate policies must be set.

A better definition of farmers would identify the appropriate unit to be the family and use criteria which recognize the relative importance of farm income to the family. The Department of Agriculture has considered such a definitional change, although the proposed changes would not encompass total family

income. According to Don Paarlberg, U.S.D.A.'s Director of Agricultural Economics,

The classification would be farms with operators dependent on farming for their income, farms with operators that are engaged in farming only part-time, and nonfarm firms that are engaged in agricultural production [4, 1974; p. 93].

Unfortunately, this proposed scheme was not used in the 1974 Census of Agriculture.

For reasons made clearer in the appendix to this chapter, available statistical data does not permit small farmers to be identified and analyzed according to the most useful measures. In the data from the Census of Agriculture presented in this chapter, four groupings of farms are shown. The groups and their correspondence to the Census definitions of economic class of farm are as follows: *Large* -- classes 1 and 2, sales of \$20,000 or more; *Medium* -- classes 3 and 4, sales of \$5,000-\$19,999; *Small* -- classes 5 and 6, sales under \$5,000; and *Marginal* -- part-time and part-retirement farms. Given the Census definitions of part-time and part-retirement farms, this classification clearly represents a unique group of problems. However, while a distinction has been made between small and medium farms in the statistical tables, both of these groups could be considered as small farming operations and, for the most part, little distinction is made in this study between those of small farmer families to understand what kinds of programs might be adopted to improve their quality of life. It is therefore vital that the requisite information be collected.

Programs must also be developed to help these farmers maintain and improve their incomes from farm and nonfarm sources. We also consider it important to count these farmers and to make them eligible for farm benefits in order to stress the inequities involved in very large subsidies for agribusiness and the modest benefits for marginal farmers who need the most help. This comparison undoubtedly embarrasses many agribusiness representatives and undoubtedly accounts for their support of the move to define these small farmers out of existence.

Actually, if appropriate policies could be adopted to support small farmers, it probably would be better to have these programs administered by some agency other than the U.S.D.A. Agribusiness domination of that Department is such that small farmers are not likely to receive equitable treatment, even with favorable legislation. Small farmers and agribusiness belong to different systems.

The differences between the commercial farming system and the one within which small farmers operate create tension between them. The values the leaders of agribusiness stress include profit maximization, large-scale activities, attention to tax advantages and subsidies. Smaller farmers are more likely to be mainly concerned with agricultural production on a small scale.

Small farmers are less organized and are less integrated into non-farming economic activities. Small farm families are related to nonfarm activities mainly as workers and not as businesses. Small farmers are more likely than agri-

businesses to rely on local informal sources of credit. Small farmers also are likely to receive less attention from government agricultural agencies, to rely almost exclusively on local informal sources for information and are much less likely to have the services of professionals. Finally, for small farmers, farming is much more likely to be a "way of life" than it is for the larger agribusinesses.

Although all definitions are judgmental, we have developed a definition of *small farmers* to be *families or unrelated individuals whose incomes are no more than 100 percent greater than the official poverty threshold and who receive at least one-third of their income from farming.*

A classification scheme which separates those who farm and those who do not is neither realistic nor appropriate. Many farmers, both large and small, combine farm and nonfarm income. Realistic policies should recognize this combination and the importance of both farm and nonfarm earnings to these categories as the problems of both are similar. While this grouping is far from ideal, the data does not permit use of a relative measure of the importance of farm income to the operator or the entire family unit.

Historical Trends in Farming

There have been few economic changes which have had as dramatic and far-reaching impacts as the wholesale displacement of the farm population in the United States in the three decades since the end of World War II. In 1940, nearly one in every four Americans lived on a farm; but between 1940 and 1970, the United States farm population was reduced by 73 percent as 21.9 million persons were displaced. The changes were particularly acute in the 13 Southern states* and among the nonwhite population. In 1940, 42 percent of the Southern population resided on farms, including 47.3 percent of the nonwhite population. Between 1940 and 1970, the Southern farm population fell by 12.7 million, a decline of 82 percent. Almost 4 million Southern nonwhites were displaced as the nonwhite farm population decreased by 90 percent. (See Table II.1.) The number of farms in the United States declined by 53 percent between 1945 and 1969 and 3.1 million farms ceased to exist. The South lost nearly 60 percent of its farms, or 1.6 million, in the same period. Nonwhite farmers -- who are mostly blacks -- were displaced at a much faster rate than whites; some 87 percent of all nonwhite-operated farms in the South, a total of 471,000, disappeared. (See Table II.2.) The decline was particularly dramatic in the nonwhite tenant categories; there were about 364,000 nonwhite tenants in 1950 but only 18,000 in 1969. Indeed, well over half of the 89,000 nonwhite farmers remaining in the South in 1969 were full owners.

*In this report, the South consists of the following states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas and Virginia.

TABLE II. 1: RURAL FARM POPULATION 1940-1970
TOTAL U.S. AND SOUTH

Year	TOTAL U.S.		SOUTH	
	All Races	Nonwhite ^{a/}	All Races	Nonwhite
Persons in Rural Farm Population (1000s)				
1940	30,216	4,753	15,524	4,432
1950	23,048	3,333	11,267	3,113
1960	13,475	1,598	5,668	1,464
1970	8,287	514	2,837	442
Percent of Population Rural Farm				
1940	24.8%	35.3%	41.9%	47.3%
1950	15.2	21.2	27.0	32.7
1960	7.5	7.8	11.6	14.1
1970	4.1	2.0	5.1	4.1

Source: U.S. Census of Population: 1940, 1960, and 1970; State Reports and General Reports.

NOTE: ^{a/} Nonwhites include Negroes and other races. Negroes accounted for 94.7% of all nonwhites in 1940 and 86.6% in 1970. In the South, 98.5% of nonwhites were Negroes in 1940; 96.8% in 1970. In 1970, 86.0% of all nonwhites but 96.2% of all Negroes were in the South.

TABLE 11. 2: FARMS BY TENANCY 1950-1969;
TOTAL U.S. AND SOUTH

	ALL RACES			NONWHITES ^{a/}		
	1950	1959	1969	1950	1959	1969
Tenancy	TOTAL U.S.					
Full Owners	3,091,666	2,116,594	1,705,720	153,461	97,388	63,467
Part Owners	825,670	834,470	671,607	55,350	40,732	19,095
Managers	23,646	21,060	<u>b/</u>	471	489	<u>b/</u>
Tenants	1,447,455	735,849	352,923	371,637	141,017	21,285
Total <u>c/</u>	5,388,437	3,707,973	2,730,250	580,919	279,626	103,847
	SOUTH					
Full Owners	1,312,675	890,060	746,629	139,119	88,503	55,011
Part Owners	316,415	313,180	237,992	51,416	37,109	16,157
Managers	9,351	8,545	<u>b/</u>	225	278	<u>b/</u>
Tenants	888,993	358,950	132,745	363,963	137,408	18,117
Total <u>c/</u>	2,527,434	1,570,735	1,117,366	554,723	263,298	89,285

SOURCE: U.S. Census of Agriculture: 1959 and 1969; State and General Reports.

NOTES: a/ Nonwhites include Negroes and other minorities. Consistent data on Negro farms is unavailable, but in 1959 blacks accounted for 93.7% of all nonwhite farms in the U.S. and 94.2% in the South. In 1969, blacks' farms were 84.1% of total nonwhites and 94.6% in the South.

b/ Data was not collected on managers in 1969. Managers were classified according to tenancy of the owner of the operation.

c/ Data in this table includes Census category of abnormal farms which are excluded from subsequent tables.

These overall changes, however, obscure the structural shift in farming from a predominance of small farms to an increasing domination by large-scale agricultural operations. While small farms have disappeared rapidly, the remaining farms have grown larger. Between 1945 and 1969, the average size of U.S. farms increased from 195 acres to 389 acres. The number of farms with gross sales of \$40,000 or more increased from 2.9 percent of all farms in 1960, to 7.9 percent in 1970 and 16.6 percent in 1974. These farms accounted for a third of all farm sales in 1960, but over 71 percent in 1974. Some of this increase was caused by rising prices and some by growth in control by large farms [6, 1974]. These trends also hold in the South, where the number of small, medium, marginal and black farms declined markedly between 1959 and 1969. (Table II.3.)

The South has historically had a large number of small farms and, despite similar structural shifts in the size distribution between 1959 and 1969, continues to account for a disproportionate share of small operations. While the South accounted for less than one-fourth of all large farms, more than one-half of all farms with sales under \$5,000 are located in the South. In part, the higher concentration of smaller farms accounts for the more rapid decline in the number of Southern farms.

Nonwhite farms, more than 86 percent of which are in the South, are overwhelmingly small. In 1969, the average farm operated by blacks contained only 78 acres compared to 310 acres for all other farms. Only 2 percent of the nonwhite farms, fewer than 1,900, had sales of \$20,000 or more in 1969; almost 85 percent had sales of less than \$5,000.

Another important trend has been the shift away from tenant-operated farms to farms where the operator owns at least a part of the land operated. (See Table II.4.) Between 1950 and 1969, tenant farms in the South compared to a 40 percent, and 85 percent in the South compared to a 40 percent decline for full and part-owner farms. The shift was clearly important to nonwhites. In 1950, two of every three Southern nonwhite farmers were tenants, but the number of such farms fell by 95 percent between 1950 and 1969. The decline in tenant farms alone accounted for 40 percent of the overall decline in the number of U.S. farms, over half of the drop in Southern farms, and better than two-thirds of the decrease in Southern nonwhite farms. (See Table II.2.) As Table II.4 indicates, a large percentage of tenant operations was in the small farm category. For nonwhites, the changes in agriculture have had the greatest displacement effect on the landless, although Table II.4 also shows that all small farms, not just tenants, have experienced large absolute and percentage declines.

The South has a higher percentage of older farmers and a somewhat smaller percentage of young farmers. These older farmers had smaller sales than their younger counterparts. Some 71 percent of the Southern operators age 55 and over had sales under \$5,000, but only 46 percent of the older operators in the non-South were that small. (See Table II.5.)

Black farmers are older, on the average, than whites. Over 58 percent of black and 46 percent of white operators in the South are age 55 and older; only 5 percent of the black farmers but 11 percent of white are under 35 years of age

TABLE 11. 3: FARMS BY SIZE AND RACE 1959 AND 1969
TOTAL U.S. AND SOUTH

Size <u>c/</u>	NUMBER OF FARMS				PERCENTAGE OF FARM SALES	
	All Races		Nonwhite <u>a/</u>		All Races <u>b/</u>	
	1959	1969	1959	1969	1959	1969
	TOTAL U.S.					
Large	312,501	552,682	3,410	5,896	50.1%	76.3%
Medium	1,136,885	785,897	26,260	15,514	37.4	18.7
Small	966,631	587,668	133,894	35,558	9.0	3.4
Marginal	1,288,895	801,892	115,574	46,663	3.5	1.6
Total	3,704,912	2,728,139	279,138	103,631	100.0%	100.0%
SOUTH						
Large	81,009	133,777	682	1,895	47.2%	72.1%
Medium	290,227	243,900	22,643	11,709	31.8	19.1
Small	508,061	307,697	130,092	32,437	14.9	5.8
Marginal	690,559	431,464	109,603	43,180	6.1	3.0
Total	1,569,856	1,116,838	263,020	89,221	100.0%	100.0%

SOURCE: U.S. Census of Agriculture: 1959 and 1969. State and General Reports.

NOTES: a/ Nonwhites include Negroes and other minorities. In 1969, Negroes accounted for 84.3% of all U.S. farms, ranging from 31.4% of large farms to 91.3% of marginal. In the South, blacks accounted for 82% of large farms and 96% of marginal.

b/ Sales of farm products by economic class unavailable by race.

c/ Size corresponds to economic class of farms as follows:
Large: Classes 1 and 2, Sales of \$20,000 or more,
Medium: Classes 3 and 4, Sales \$5,000-\$19,999
Small: Classes 5 and 6, Sales under \$5,000,
Marginal: Part-time and part-retirement farms.

TABLE 11.4: FARMS BY SIZE AND TENANCY 1959-1969, TOTAL U.S. AND SOUTH

	NUMBER OF FARMS							
	1959				1969			
	FULL OWNERS	PART OWNERS	TENANTS	TOTAL	FULL OWNERS	PART OWNERS	TENANTS	TOTAL
	TOTAL U.S.							
Large	103,182	135,737	73,582	312,501	194,193	264,156	94,333	552,682
Medium	465,200	381,385	290,300	1,136,885	412,780	246,195	126,922	785,897
Small	532,907	194,918	238,806	966,631	427,555	89,365	70,748	587,668
Marginal	1,022,995	128,870	137,030	1,288,895	669,760	71,384	60,748	801,892
Total	2,124,284	840,910	739,718	3,704,912	1,704,288	671,100	352,751	2,728,139
	SOUTH							
Large	27,581	37,217	16,211	81,009	54,281	60,963	18,533	133,777
Medium	109,193	100,088	80,946	290,227	121,044	81,867	40,989	243,900
Small	235,252	102,402	170,407	508,061	217,013	51,604	39,080	307,697
Marginal	521,043	76,276	93,240	690,559	353,896	43,451	34,117	431,464
Total	893,069	315,983	360,804	1,569,856	746,234	237,885	132,719	1,116,838
	NONWHITES - SOUTH							
Large	144	302	236	682	656	863	376	1,895
Medium	1,906	4,339	16,398	22,643	4,120	3,845	3,744	11,709
Small	26,190	17,640	86,262	130,092	18,660	6,043	7,734	32,709
Marginal	60,263	14,828	34,512	109,603	31,516	5,401	6,263	43,180
Total	88,503	37,109	137,408	263,020	54,952	16,152	18,117	89,221

SOURCE: U.S. Census of Population: 1959 and 1969; State and General Reports.

NOTE: a/ See footnote c/of Table II.3 for explanation of size categories.

TABLE II.5: FARMS BY SIZE AND AGE,
TOTAL U.S. AND SOUTH, 1959 and 1969 ^{a/}

SIZE & YEAR AGE					TOTAL U.S.					
	Large		Medium		Small		Marginal		Total	
	1959	1969	1959	1969	1959	1969	1959	1969	1959	1969
Under 25	3,967	7,836	19,981	16,133	21,507	14,777	15,926	14,135	61,381	52,881
25-34	48,360	68,718	158,050	77,137	88,717	47,628	112,368	79,950	407,495	273,433
35-44	94,772	142,736	295,241	141,272	179,288	92,598	145,085	145,650	814,386	522,256
45-54	89,266	176,376	332,171	216,126	276,749	148,588	292,864	182,185	991,050	723,275
55-64	53,967	120,534	235,342	228,668	303,395	201,667	218,542	152,626	811,246	703,495
65 and over	22,169	36,482	96,100	106,561	96,975	82,410	404,110	227,346	619,354	452,799
TOTAL	312,501	552,682	1,136,885	785,897	966,631	587,668	1,288,895	801,892	3,704,912	2,728,139

SIZE & YEAR AGE					SOUTH					
	Large		Medium		Small		Marginal		Total	
	1959	1969	1959	1969	1959	1969	1959	1969	1959	1969
Under 25	1,132	1,508	4,115	3,952	12,265	5,974	8,668	6,286	26,180	17,720
25-34	10,712	14,881	32,104	21,635	46,873	21,790	57,398	38,312	147,087	96,618
35-44	22,688	31,884	73,613	42,956	98,889	46,531	129,520	74,023	324,710	195,394
45-54	25,076	41,422	92,027	67,406	155,246	80,908	159,339	96,390	431,688	286,126
55-64	14,814	32,543	60,154	72,622	158,252	115,578	117,037	83,538	350,257	304,281
65 and over	6,857	11,539	28,214	35,329	36,536	36,912	218,597	132,915	289,934	216,699
TOTAL	81,009	133,777	290,227	243,900	508,061	307,697	690,559	431,464	1,569,856	1,116,838

^{a/} See footnote ^{c/} of Table II.3 for explanation of size categories.

SOURCE: U.S. Census of Agriculture, 1959 and 1969; State and General Reports.

[11, 1969]. The higher percentage of black farmers who are older and smaller will likely mean fewer black farmers in the future. As shown in Table II.6, the blacks had much smaller land holdings than whites in every Southern state.

A final and most important trend in the economic structure of farming has been the increasing importance of off-farm income and off-farm employment for farm operators and their families. Historically farm families relied almost exclusively on income from farming, including home-consumed products. Today, however, about half the income of farm families comes from nonfarm sources. This change has occurred for several reasons. The technological changes which drastically cut labor requirements resulted in surplus hours for farm operators and allowed for nonfarm employment. The low family income for many poor farmers has encouraged operators and their families to seek to bolster low incomes with off-farm jobs. In addition, the growing number of nonfarm employment opportunities resulting from increased industrialization in or near traditionally agricultural areas has provided the farmer with a means of increasing income as well as providing a more stable income source. Finally, the changes have also stimulated increased nonfarm employment for wives and other farm family members.

In 1945, only one of every four operators worked off the farm with the vast majority working fewer than 100 days off the farm [9, 1959]. By 1969, 54 percent of the operators worked some days off their own farm and nearly one-third worked 200 days or more.

The percentage with off-farm work varies inversely with size; 30 percent of the large operators and 69 percent of those with sales under \$5,000 had some off-farm work. Moreover, smaller operators tend to work a higher number of days. Only 40 percent of the large operators who worked off their farm reported at least 100 days of off-farm work, compared to 83 percent of those with sales under \$5,000. The trend, however, is clearly to more off-farm work by operators of all size farms. The percent of large operators working in off-farm jobs rose from 23 percent to 30 percent between 1959 and 1969; for operators with sales under \$5,000, the percentage working increased from 54 to 69 percent. (See Table II.7.)

Southern farms operated by blacks show a smaller percentage who engage in off-farm work -- 54 percent of all black farmers compared with 58 percent for whites. Moreover, blacks who do work tend to work less. Of those operators who worked off the farm, 44 percent of the blacks and 63 percent of whites worked 200 or more days [11, 1969]. While this may seem curious, given the smaller size of the black farms, it very likely reflects fewer opportunities for black farmers because of discrimination in nonfarm jobs, age, education, and other employment-related factors. Most important is the fact that the rapid growth in manufacturing employment in the rural South is taking place outside areas with heavy black population concentrations.

The importance of nonfarm income to farm families has been increasing in the past decade. In 1969, 42 percent of the total income was derived from non-farm sources, but by 1970, over half of all income was from sources other than farming. In 1973, this percentage had fallen slightly due to a continuing shift in the size distribution of farms,* despite a drop in the importance of farm in-

TABLE 11.6:
FARM SIZE, BY RACE OF OPERATOR
FARMS WITH AT LEAST \$2,500 IN SALES
1969

State	Percent less than 10 acres		Percent less than 50 acres		Percent less than 100 acres	
	Black	White	Black	White	Black	White
Kentucky	13.1	5.7	30.1	13.9	52.1	34.3
Tennessee	5.5	2.9	27.3	12.1	52.2	32.5
Alabama	2.6	3.1	19.8	16.0	42.5	33.7
Mississippi	2.3	1.1	19.9	6.1	45.6	18.4
Arkansas	1.2	2.3	16.2	9.7	46.1	22.3
Louisiana	1.3	1.6	34.0	11.0	63.2	26.9
Oklahoma	3.2	1.8	8.2	3.9	18.1	8.6
Texas	4.6	2.0	18.1	5.7	36.3	12.1
Virginia	7.8	3.8	32.4	12.2	58.1	28.6
West Virginia	10.0	2.6	10.0	6.0	40.0	14.9
North Carolina	9.1	5.9	55.0	29.4	80.4	55.1
South Carolina	8.9	2.2	48.2	15.4	71.7	33.7
Georgia	2.8	4.5	16.0	14.8	37.4	29.6
Florida	4.1	6.1	22.1	32.3	42.5	46.7

SOURCE: U.S. Department of Commerce, Census of Agriculture, for 1969
(Washington, D.C.: U.S. Government Printing Office).

*This data is not comparable with the data in Table II.3, as the percentages shown are for farms with at least \$2,500 in sales of farm commodities - that, is economic classes 1-5 only. The data from the census does not allow identification of criteria for nonwhite farms other than for classes 1-5. The data misses nearly three-fourths (71 percent) of all farms operated by blacks.

TABLE 11.7: FARMS BY SIZE AND DAYS OF OFF-FARM WORK, 1959 and 1969
TOTAL U.S. AND SOUTH ^{a/}

SIZE & YEAR DAYS OFF FARM	TOTAL U.S.									
	LARGE		MEDIUM		SMALL		MARGINAL		TOTAL	
	1959	1969	1959	1969	1959	1969	1959	1969	1959	1969
None	240,550	384,414	766,935	429,384	600,092	291,461	433,958	141,161	2,041,535	1,246,420
1-99	43,266	100,331	213,328	132,688	201,335	114,637	98,265	43,980	556,194	391,636
100-199	7,905	21,258	52,165	58,320	44,569	32,650	125,124	107,372	229,763	219,600
200 or more	20,780	46,679	104,457	165,505	120,635	148,920	631,548	509,379	877,420	870,483
Total	312,501	552,682	1,136,885	785,897	966,631	587,668	1,288,895	801,892	3,704,912	2,728,139

SIZE & YEAR DAYS OFF FARM	SOUTH									
	LARGE		MEDIUM		SMALL		MARGINAL		TOTAL	
	1959	1969	1959	1969	1959	1969	1959	1969	1959	1969
None	60,540	89,349	188,112	130,898	331,784	162,728	246,670	84,806	827,106	467,781
1-99	8,760	19,087	49,807	38,372	114,466	65,940	57,539	24,156	230,572	147,555
100-199	2,629	6,096	14,625	17,738	17,117	14,996	71,049	61,435	105,420	100,265
200 or more	9,080	19,245	37,683	56,892	44,694	64,033	315,301	261,067	406,758	401,237
Total	81,009	133,777	290,227	243,900	508,061	307,697	690,559	431,464	1,569,856	1,116,838

^{a/} See footnote ^{c/} of Table II.3 for explanation of size categories.

SOURCE: U.S. Census of Agriculture, 1959 and 1969; State and General Reports.

come in all but one sales class.** The percentage of income received from farming fell dramatically between 1960 and 1973, especially among the smaller size farms. (See Table II.8.)

Evidence that nonfarm income is very important to farm families, especially small farm operators, and is becoming increasingly more important, should not obscure the fact that a large number of small farmers is almost totally dependent on farm income. In 1969, 767,000 farmers with sales below \$10,000 -- 43 percent of the total -- worked fewer than 50 days off the farm. In the South, 391,000 farmers worked fewer than 50 days off their farm and 80 percent of those had no off-farm work. While some of these families had more than one income earner, it is still true that, for many small farmers, farm income is a vital part of their total income. There are, of course, a number of families included in the totals, especially among the small farms, for whom farm income is a small, supplementary part of their income. These so-called "hobby" or "weekend" farmers in many cases have substantial nonfarm incomes which tend to distort the percentage of figures presented in Table II.7. Nevertheless, large numbers of small farmers depend exclusively or heavily on farm income.

Characteristics of the Families of Small Farm Operators

As noted earlier, we have classified small farm families according to a combination of poverty status (100 percent above poverty thresholds) and the relative importance of farm income (at least one-third of household income is derived from farming).

Of the United States total of 2.5 million farm families, some 803,000, about one-fourth, can be classified (according to our criteria) as small farm families. Nearly 40 percent of the total and 86 percent of the nonwhite small farms were in the South. A slightly higher percentage of all Southern farm families were small than was true nationally -- 27.4 percent compared to 23.7 -- and a higher percent of the nonwhite families were -- 36.0 percent compared to 32.1 percent.

If the one-third of family income criterion is used as a measure of dependence on farm income, then slightly more than half of all farm families in the U.S. and just under half of all Southern farm families are dependent on farm income. The dependence on farm income varies consistently with poverty status. A higher percentage (79%) of poor farm families, and a lower percentage (46%) of nonpoor farm families, depend heavily on income from farming. Fewer Southern families and fewer nonwhites in the South depend heavily on farming; in part this result is due to the higher concentration of small and marginal and nonwhite farms in the South. (See Table II. 9.)

*Had there been no shift in the size distribution, the 1973 figures would have shown only 43.4 percent of farmers's income coming from farm sources.

**The increase in farm income for farms with sales of \$100,000 or more between 1972 and 1973 was nearly 100 percent, which largely accounts for the rise in the proportion of income from farming for class 1 farms between 1970 and 1973. In 1972, 81.3 percent of the income for this group of farms was from farming.

**TABLE 11.8: PERCENTAGE OF INCOME FROM FARMING BY VALUE
OF SALES CLASS FOR SELECTED YEARS 1960-1970**

VALUE OF SALES CLASS ^{a/}							
Year	1	2	3	4	5	6	All Farms
1960	89.7	83.7	81.0	67.7	51.4	23.8	58.1
1965	85.1	80.1	73.2	52.6	36.6	17.6	52.8
1970	82.6	76.5	65.8	41.5	26.0	11.5	49.2
1973	87.7	75.5	56.9	35.3	20.0	7.2	57.8

SOURCE: Data derived from Farm Income Situation, July, 1974. U.S. Department of Agriculture, Economics Research Service, FIS-224.

NOTE: ^{a/} Corresponds to economic loss of farm in terms of dollar value of sales. Farms with sales under \$2,500 all grouped as class 6; no separate data for part-time and part-retirement farms.

TABLE 11.9: FAMILIES WITH FARM SELF-EMPLOYMENT INCOME BY INCOME STATUS AND RACE 1970

TOTAL U.S. AND SOUTH
(1000 Families)

INCOME STATUS <u>a/</u>	TOTAL U.S.			SOUTH			SOUTH AS % OF U.S.		
	TOTAL	WHITE	NONWHITE	TOTAL	WHITE	NONWHITE	TOTAL	WHITE	NONWHITE
Poor:									
Farm Y L.T. 33%	71.1	55.2	15.9	36.2	22.4	13.8	50.9%	40.6%	86.8%
Farm Y G.E. 33%	264.4	247.5	16.9	133.6	117.6	16.0	50.5	47.5	94.7
Near Poor:									
Farm Y L.T. 33%	160.2	147.5	12.7	81.9	71.3	10.6	51.1	48.3	83.5
Farm Y G.E. 33%	338.2	326.5	11.7	102.5	94.0	8.5	30.3	28.8	72.6
Not Poor:									
Farm Y L.T. 33%	917.8	901.9	15.9	318.8	304.9	13.9	34.7	33.8	87.4
Farm Y G.E. 33%	790.7	774.8	15.9	188.7	183.4	5.3	23.9	23.7	33.3
Total:									
Small Farmers <u>b/</u>	602.6	574.0	28.6	236.1	211.6	24.5	39.2	36.9	85.7
Others	1939.8	1879.4	60.4	623.6	582.0	43.6	32.3	31.0	72.2
All Families	2542.4	2453.4	89.0	851.7	793.6	68.1	33.9	32.3	76.5

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SOURCES: Number of families with farm self-employment income from Income of the Farm-Related Population, Special Report from U.S. Census of Population: 1970; distributional data derived from tabulations of 1/1000 Public Use Sample tapes of the 1970 Census of Population.

NOTE: a/-Families with farm self-employment broken by poverty status (Poor: less than poverty cutoff; Near Poor: above poverty cutoff by less than 100%; Not Poor: Income more than 100% of poverty cutoff) and percentage of total family income from farm self-employment source (Farm Y L.T. 33%: from self-employment income is less than one-third of total family income, Farm Y G.E. 33%: from self-employment income is at least one-third of total family income).

b/-Small farmers in this table are families in Poor or Near Poor categories with at least one-third of family income from farm self-employment.

Many small farm families are headed by older operators (Table II.10.). Some 291,000 (48 percent) of the heads of small farm families in the U.S. are 55 years of age or older, including 65 percent of the heads of Southern small farm families.

One of the important variables included in the population but not the agricultural census is the *education* of the farm operator. The data presented in Table II.11 shows that for almost every group by far a majority have fewer than 12 years of formal education. Nearly two-thirds of all small farm family heads and over three-fourths of those in the South have less than a high school education. Poor family heads with farm income dependence have the most serious educational deficiencies. Some 70 percent of all U.S. heads of poor farm families and 82 percent of those in the South have less than 12 years of school. The lower educational attainment of the small farmers not only limits their ability to adapt to technological and business practice changes in agriculture but also creates serious obstacles to increasing their nonfarm earnings.

The occupational distribution of the heads, spouses, and other family members over age 18 in families with farm earnings, Table II.12, shows that 93 percent of the heads of small farm families are overwhelmingly concentrated in farm-related occupations. A very small percentage were employed in white collar jobs; the nonfarm employment of the heads of small farm families was mainly in blue-collar occupations, a finding consistent with their low educational attainments.

For the heads of farm families other than those classified as small, farm-related jobs were less important, accounting for about one half of such employment in the United States, but only 44 percent in the South. Outside of farm-related jobs, the largest concentration was in blue-collar occupations. While somewhat over 10 percent reported working in white collar occupations, the bulk of these were confined to the nonpoor, nonfarm-dependent group.

As noted in the appendix, the use of census data to describe occupations of the population, especially to identify farmers, is limited because only the primary occupation is listed for persons with multiple jobs. Since each of the 2.5 million families with farm income reported farm self-employment income, each of the 980,000 with primary nonfarm jobs also held a secondary job as a self-employed farmer. Multiple job holding for those with at least one agricultural job is quite prevalent. In May, 1975 there were some 890,000 persons holding 2 or more jobs at least one of which was in agriculture [3, 1975, p.57].

Spouses and other adult family members contribute to farm family income, mainly from nonagricultural jobs, although small farm operators are likely to remain poor even with outside nonfarm income. Large farm operators are more likely to have spouses who are employed at higher paying white collar jobs.

Productive Potential of Small Farmers

A major policy question is whether small farms are competitive with larger ones. Quite simply the question is: are small farm operators worth the effort?

TABLE 11.10: FAMILIES WITH FARM SELF-EMPLOYMENT INCOME BY INCOME STATUS AND AGE OF HEAD-1970
TOTAL U.S. AND SOUTH

Income Status <u>a/</u>	Total U.S.			South			South as % of U.S.		
	Under 35	35-54	Over 54	Under 35	35-54	Over 54	Under 35	35-54	Over 54
Poor:									
Farm Y L.T. 33%	12.7	41.4	17.0	3.2	21.3	11.7	25.2%	51.4%	68.8%
Farm Y G.E. 33%	38.1	87.8	138.5	15.0	29.9	88.7	39.4	34.1	64.0
Near Poor:									
Farm Y L.T. 33%	26.5	80.6	53.1	15.9	36.2	29.8	60.0	44.9	56.1
Farm Y G.E. 33%	42.5	143.6	152.1	8.6	28.8	65.1	20.2	20.1	42.8
Not Poor:									
Farm Y L.T. 33%	92.3	479.6	345.9	36.2	164.2	118.4	39.2	34.2	34.2
Farm Y G.E. 33%	97.6	319.5	373.6	24.5	80.0	84.2	25.1	25.0	22.5
Total:									
Small Farmers <u>b/</u>	80.6	231.4	290.6	23.6	58.7	153.8	29.3	25.4	52.9
Others	229.1	921.1	789.6	79.8	301.7	244.1	34.8	32.8	30.9
All Families	309.7	1152.5	1080.2	103.4	360.4	397.9	33.4	31.3	36.8

SOURCES: Number of families with farm self-employment income from Income of the Farm-Related Population, Special Report from U.S. Census of Population: 1970; distributional characteristics derived from tabulations of 1/1000 Public Use Sample tapes of the 1970 Census of Population.

NOTES: a/- Income status is derivation of poverty status (Poor: less than poverty cutoff; Near Poor: above poverty cutoff by less than 100%; Not Poor: above poverty cutoff by at least 100%) and percentage of family income from farm self-employment sources (Farm Y L.T. 33%: less than one-third total income from farm self-employment; Farm Y G.E. 33%: at least one-third total income from farm self-employment).

b/- Small farmers in this table are Poor and Near Poor families with one-third or more of income from farm self-employment.

TABLE II.11: FAMILIES WITH FARM SELF-EMPLOYMENT INCOME BY INCOME STATUS AND
EDUCATION OF HEAD: TOTAL U.S. AND SOUTH - 1970
(1000 Families)

Income Status <u>a/</u>	TOTAL U.S.		SOUTH		SOUTH AS % OF TOTAL U.S.	
	Under 12 Yrs.	12 or more	Under 12 Yrs.	12 or more	Under 12 Yrs.	12 or more
Poor:						
Farm Y L.T. 33%	44.6	26.5	25.6	10.6	57.4%	40.0%
Farm Y G.E. 33%	185.1	79.3	109.9	23.7	59.3	29.9
Near Poor:						
Farm Y L.T. 33%	102.9	57.3	57.6	24.5	56.0	42.8
Farm Y G.E. 33%	203.6	135.0	72.6	29.9	35.7	22.1
Not Poor:						
Farm Y L.T. 33%	393.6	524.2	148.2	170.7	37.6	32.5
Farm Y G.E. 33%	421.4	369.3	106.6	82.1	25.3	22.2
Total:						
Small Farmers <u>b/</u>	388.3	214.3	182.5	53.6	47.0	25.0
Others	962.5	977.3	337.8	287.8	35.1	29.4
Total	1350.8	1191.6	520.4	341.4	38.5	28.7

SOURCES: Number of families with farm self-employment income from Income of the Farm-Related Population, Special Report of U.S. Census of Population: 1970; distributional characteristics derived from tabulations of 1/1000 Public Use Sample Tapes of 1970 Census of Population.

NOTES: a/-Income status is a combination of poverty status and percent of family income from farm self-employment sources. See Table II.8 for details.

b/-Small farmers are poor and near-poor with one-third or more of income from farm self-employment.

TABLE 11.12: FAMILIES WITH FARM SELF-EMPLOYMENT INCOME: OCCUPATIONAL DISTRIBUTION OF HEADS, SPOUSES, AND OTHER FAMILY MEMBERS-1970

Occupational Group <u>a/</u>	Head		Spouse		Other	
	Small Farmers	<u>b/</u> Others	Small Farmers	Others	Small Farmers	Others
			TOTAL U.S.			
White Collar 1	<u>d/</u>	10.2%	7.4%	21.8%	3.7%	8.9%
White Collar 2	1.8	7.7	25.8	34.0	15.8	20.3
Blue Collar 1	2.5	23.9	21.0	20.9	17.1	27.8
Blue Collar 2	1.8	7.0	24.2	16.4	21.9	21.2
Farm-Related	93.9	51.2	21.6	6.9	41.5	21.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent with <u>c/</u> No Occupation	<u>d/</u>	4.8%	61.1%	42.7%	44.6%	25.0%
			SOUTH			
White Collar 1	0.5%	13.9%	4.5%	19.5%	<u>d/</u>	9.5%
White Collar 2	1.8	10.0	23.9	36.8	6.7	25.0
Blue Collar 1	3.2	25.9	25.4	26.1	20.0	28.6
Blue Collar 2	1.3	6.5	23.9	14.1	23.3	19.6
Farm-Related	93.2	43.7	22.4	3.5	50.0	17.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent with No Occupation	<u>d/</u>	6.0%	63.6%	39.2%	51.6%	30.0%

SOURCE: Based on tabulations from the Public Use Sample (1/1000 tapes) of the 1970 Census of Population.

NOTES: a/-Occupational groups are: White Collar 1=professional, technical, and managers; White Collar 2=clerical and sales; Blue Collar 1=craftsmen and operatives; Blue Collar 2=laborers and service workers; Farm-Related=farmers, farm managers, and farm laborers.

b/-Small farm families are poor and near-poor with at least one-third of family income from farm self-employment income.

c/-Percent of total group without listed occupation

d/-Less than 0.5%.

The net sales and net receipts per farm indicate that on the average small and marginal farms show net operating losses. However, Table II.13 also shows that being large is no guarantee of covering operating expenses, but that for every group except marginal farms, there are considerably more farms showing gains. It is clear that significant variation is concealed by these aggregate estimates and that many small farmers are able to achieve some degree of economic success. It may well be that the question of the economic viability of small farmers varies considerably with the technical expertise and managerial skills within the group. An examination of data on generally successful farms (those with \$40,000 or more of sales) indicates that controlling large amounts of physical resources may not be a precondition for economic success. The limited experience with some programs which have provided technical assistance to small farmers had demonstrated that there is economic potential for small farm operators. Finally, it should be remembered that the answers to small farmer problems will not be the same for every group.

As Wardle and Boisvert conclude from their study of small dairy farmers in New York:

Unlike many of the policy prescriptions in the past designed to deal with poverty in agriculture, the results of this study do not indicate or suggest making every farm into a highly efficient commercial operation. On the contrary the study suggests that some farmers, who would find it difficult outside of agriculture, could benefit from improved management practices and limited expansion. Others could be helped to find full-time jobs off the farm, while a third group might be urged to continue to improve their farming operations and supplement their farm income from part-time employment off the farm [12, 1974, p. 46].

Summary

This chapter has outlined the quantitative dimensions of the small farmer population and developed measures of "smallness." The appendix discusses the usefulness and limitations of data sources currently available.

In the first section, it was demonstrated that the appropriate approach to this study should be to use the family as the unit of analysis and to incorporate both farm and nonfarm earnings of operators and their families. Evidence was presented to show that nonfarm earnings are increasingly important for farm families, and that operators and their families spend considerable time in non-farm activities.

The use of this approach is seriously handicapped by the unavailability of information on both the absolute size of that income and relative proportion of income coming from farm and nonfarm sources. Most serious in this regard are continuing attempts to limit the information collected in the Census of Agriculture, which would reduce the demographic data collected, raise the minimum farm sales figure required for farm classification on a farm and consequently eliminate information on many, if not all, small farmers.

TABLE 11.13: NET SALES, NET RECEIPTS, GAINS AND LOSSES
FOR FARMS BY SIZE: 1969
TOTAL U.S. AND SOUTH c/

	Large	Medium	Small	Marginal	Total
	TOTAL U.S.				
Net Sales/Farm	\$ 11,536	\$ 2,692	\$ 432	\$ 287	\$ 2,935
Net Receipts/Farm <u>a/</u>	\$ 14,623	\$ 3,869	-\$ 7	-\$ 89	\$ 4,049
Farms w/Gains <u>b/</u>	469,536	621,971	314,967	347,178	1,748,652
Net Gain/Farm	\$ 16,372	\$ 4,284	\$ 1,155	\$ 601	\$ 6,201
Farms w/Losses	88,146	163,926	272,701	454,714	979,487
Net Loss/Farm	\$ 13,952	-\$ 3,349	-\$ 2,265	-\$ 964	-\$ 2,894
	SOUTH				
Net Sales/Farm	\$ 10,223	\$ 2,301	-\$ 233	-\$ 213	\$ 1,580
Net Receipts/Farm <u>a/</u>	14,474	\$ 3,525	\$ 141	-\$ 51	\$ 2,523
Farms w/Gains	105,108	188,543	175,503	199,657	668,811
Net Gains/Farms	\$ 17,202	\$ 4,086	\$ 1,145	\$ 602	\$ 4,336
Farms w/Losses	28,669	55,357	132,194	231,807	448,027
Net Losses/Farm	15,364	-\$ 3,780	-\$ 2,063	-\$ 882	-\$ 2,515

SOURCE: U.S. Census of Agriculture: 1969, General Reports.

NOTE: a/-Net Receipts include net farm sales plus government farm program payments and receipts from custom work.

b/-Gains and losses relate only to farm sales versus operating expenses and do not include either government farm program payments or receipts from custom work.

c/-See footnote c of Table II.3 for explanation of size categories.

Each of these moves would seriously alter the usefulness of this important data source and increase the likelihood that future policies would fail to treat the problems of small farmers in a realistic fashion.

From the discussion of the historical data on farming, several trends are clear: (1) there has been a rapid drop in the number of farms, with the bulk of the displacement occurring among small farmers: (2) the South, with a higher proportion of small farms, has accounted for a disproportionate share of the decrease; (3) nonwhite farms, most of which are small, have all but disappeared; (4) the average age of farmers, and especially small farmers, has increased; and (5) the importance of nonfarm incomes has increased dramatically.

The reasons for the above changes are many and complex and will be discussed in later chapters. Despite rapid declines, however, many small farms remain. The discussion of the characteristics of the small farm operators makes it clear that, given their ages, educational levels, and nonfarm employment opportunities, there appear to be substantial obstacles for many in making a smooth transition from farming to total dependence on nonfarm sources of income. However, the small farmer population is not homogeneous. It should therefore be apparent that there are no universal solutions appropriate for every group. Rather, policies should provide a range of options and enable small farmers to choose between several alternatives, based on their own needs and goals.

CHAPTER II - APPENDIX

Data Sources - Uses and Limitations

Current data permits farmers and the farm-related population to be identified according to any one of three criteria: (a) residence, (b) occupation, or (c) source of income. In this appendix, the possible uses and limitations of each of these criteria will be discussed in conjunction with the three major sources of data - the Current Population Survey, the Census of Population, and the Census of Agriculture.

(a) Farm Residence

The Bureau of the Census, in both the decennial population census and the Current Population Survey (CPS), divides the total population into urban and rural components with the rural population further subdivided into farm and non-farm on the basis of residence. The farm population is identified as those families and individuals living on places classified as farms [11, 1969].

The usefulness of identifying the farm population on the basis of residence has faded with the growing interrelatedness of the farm and nonfarm sectors of the economy. While an analysis of recent data found that 90 percent of farm families had at least one farm operator [1, 1969, p. 19], nearly 20 percent of the farm operators, according to the 1969 Census of Agriculture, are not farm residents, compared with only 10 percent in 1959 [9, 1959; 10, 1969].

The major advantage of the farm population data from the Census of Population is that, unlike the Census of Agriculture which counts farm operators only, a count is provided for all persons resident on farms (i.e., counting operators and their families). The data is shown in this report to provide a broad indication of the total number of people affected by farm displacement. However, since the data does not relate to all farm operators and since there is no information on the farming operation other than gross farm sales on the resident farm unit, the statistics on the farm population are of limited usefulness.

(b) Occupation

A second means of identifying farmers is on the basis of occupation. Both the CPS and the Census of Population identify individuals working as farmers and farm managers in addition to farm laborers. However, since the classification is made on the basis of primary activity, and given the relatively large and growing number of farmers with nonfarm incomes, a significant number of farmers probably are not counted. Some indication of the undercount can be obtained from the CPS surveys on multiple job-holding. In May, there were some 890,000 persons holding two or more jobs at least one of which was in agriculture. There were some 637,000 workers with primary jobs in the nonagricultural sector with secondary jobs in agriculture, 85 percent of whom were self-employed in

their agricultural job. Counting all workers who in May, 1975 were self-employed in an agricultural job, either primary or secondary, yields an estimate of 2.35 million farmers in May, 1975. While the estimate compares closely with estimates of farmers from other sources (using similar techniques there were 2.5 million farmers estimated from CPS data compared to 2.8 million in the *Farm Income Situation* for 1973), it does appear to be a conservative estimate [6, 1974]. Moreover, on the basis of the published information, it is impossible to tell how important agricultural income is to those with secondary jobs in agriculture and, for that matter, even for those with primary jobs in agriculture. In addition, except for the decennial Census of Population, which counts only those for whom agriculture is the major occupation, we have very little information about the characteristics of the individuals or their agricultural operations upon which to differentiate small and large farmers. While useful for some purposes, the data has limited value for a study of the problems of small farmers.

(c) Source of Income

Another means of identifying farmers is to count those individuals (and families) with income from farming. The income criterion offers the best possibility of separating small and large farmers since it potentially allows use of both absolute and relative standards. There are two data sources which use or allow use of income source for identifying farmers: the Census of Agriculture and the Census of Population.

The Census of Agriculture, taken every five years, identifies and classifies farms on the basis of sales of farm products. Each farm that meets a very low gross sales criterion is enumerated in the Census. Unfortunately, however, no information is collected in this Census on either total income for the farm operator or the earnings of other family members, making it impossible to know what proportion farm income is of total income. The follow-up survey of farm finance taken in the year after the regular census, collects information on total income of the farmer, but the data are presented in such a fashion that identification of the number of farmers having a majority of their income coming from farm sources cannot be obtained. While the data collected would allow these estimates to be made, the necessary data is not published by the Bureau of the Census.

Nevertheless, with all of the above limitations, the Census of Agriculture provides the most data on the characteristics of farming operations, although the amount of demographic data collected is very limited. If some of the census officials had their way, no demographic data would be collected at all. Thomas Breem, chief of the Agricultural Division of the Bureau of the Census, and the man most directly responsible for the Census of Agriculture, feels the purpose of the census is to provide information on farm operations and should be similar to other "economic" censuses, in which no data is collected on the operators. Breem feels this information is not needed and that to require the farm operators to report it is unfair since this is not required of other proprietors.*

*Interview with Thomas Breem, Agricultural Division of the Bureau of the Census, Washington, D.C., July 1974.

Thus, information on the incomes of farm operators is very limited. In fact, a special project begun by the Economic Research Service of the U.S.D.A. to study small farmers was recently abandoned, at least partly because of the scarcity of data.

Since much less demographic information was collected in the 1969 Census of Agriculture than in 1964, the 1970 Census of Population is a better source of current information on persons and families with farm income. In 1970, for the first time, farm self-employment income was identified as a separate income source, making possible some rather detailed demographic and economic information of families with farm income. Some of this data was published in the report entitled *Income of the Farm-Related Population* [7, 1970]. Unfortunately, some of the published tables include only persons of the rural farm population, a limitation which restricts the usefulness of the data since it does not include non-farm resident farmers. Additional data and cross tabulations can be obtained by using the Public Use Sample (PUS) tapes from the 1970 Census. However, despite a wealth of demographic and economic information about the persons in families with farm income, the census data has nothing on the characteristics of the farming operation itself, severely limiting the use of the data for analysis of farming. Moreover, the data on income is a net figure, not allowing an indication of gross sales, or income from government farm program payments and custom work.

The best possibility for getting a total picture of U.S. farmers would be to include some additional questions on the Census of Agriculture about total income, including additional family members as well as the farm operator and to expand considerably the amount of demographic data collected. However, if the officials responsible have their way, less information of this kind will be collected in future censuses. The Census officials suggest that such demographic information is collected in the population census, and it is therefore not needed or desirable in a census devoted primarily to agricultural production. According to Broom:

The Bureau felt that the Census of Agriculture should be a vehicle which is related to agricultural production and agricultural services. In its transformation from the demographic area to the economic area, you might say that we are agri-business rather than rural sociological in nature [6, 1974].

The lack of demographic information is not the only problem with the Census of Agriculture. The completeness and accuracy of the data, especially that from the 1969 census, has been questioned. While earlier censuses were conducted by personal interviews, the 1969 census was almost exclusively by mail, with limited follow up or accuracy checking. In our field interviews, many county officials questioned the accuracy of the data and cited personal knowledge of instances where farm operators, especially the smaller ones, failed or refused to return the complicated census form. For some counties the estimated undercount

was on the order of 10-15 percent.

(d) Measures of Small Farmers

Given the limitations of the various data sources discussed above, the immediate question becomes: What measures can be used to identify farmers in general and small farmers in particular? The conceptual distinction preferred would be one which recognizes three types of farms: (a) large farms, (b) small farms dependent on farm income; and (c) small farms marginally dependent on farm income. Such a distinction cannot be precisely made on the basis of the Census of Agriculture data. However, since the census contains useful information on the characteristics of farm operators, and since the census provides the only data on a time series basis, a second best alternative has been used.

The Census of Agriculture provides information on farms divided into eight major categories* on the basis of gross farm sales. The data in this chapter shows four groupings: (a) *large farms* - economic classes 1 and 2, farms with sales of \$20,000 or more; (b) *medium farms* - economic classes 3 and 4, sales between \$5,000 and \$19,000; (c) *small farms* - classes 5 and 6, sales under 5,000; and (d) *marginal operations* - part-time and part-retirement farms. While a distinction has been made in the data between small and medium farms, both of these two groupings could be considered as small farming operations and for the most part little distinction is drawn to this subdivision as the problems of both are similar.

The other major source of information used is data on persons with farm income identified by the 1970 Census of Population. While there is no time series in this data, since 1970 was the first time it was collected, it does provide information on total family income. The data from this source will show families classified on both absolute and relative income criteria into four categories. The population of farm income persons was first divided into poor and not-poor groups, with each of these further subdivided into those where farm income accounted for at least one-third of total family income and those where it accounted for less. This provides a reasonable approximation to the ideal classification scheme discussed earlier.

*The economic classes are: Class 1 - sales of \$40,000 or more; Class 2 - sales between \$20,000 and \$39,000; Class 3 - sales between \$10,000 and \$19,999; Class 4 - sales between \$5,000 and \$9,999; Class 5 - sales between \$2,500 and \$4,999; Class 6 - sales below \$2,500, farm operators under 65 who worked fewer than 100 days off-farm; part-time sales below \$2,500, operators under 65 with more than 100 days off-farm work; and part-retirement - sales below \$2,500, farm operators 65 years of age or more. In addition, some farms are classified as "abnormal" which include such as state experiment status farms, etc. This last group has been excluded in most data shown in this chapter.

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CHAPTER III

THE STATUS AND PROSPECTS FOR SMALL FARMERS IN THE SOUTH

Some students of American agriculture have concluded that small farmers are an obsolete part of our agricultural system and are being driven from farming because of economic forces which make large-scale production more efficient. This chapter attempts to assess the importance of the "economies of size" thesis and the extent to which economic forces as opposed to biases in public policy have been responsible for the decline in the number of small-scale operators.

The final section of the chapter attempts to answer some essential questions: (1) What are the prospects for small and nonwhite farmers given present public policy and the current structure of the agricultural system? (2) To what extent can encouraging small-scale farming aid in the development of the rural South and the alleviation of rural poverty?

As noted in Chapter II, there has been a rapid decline in the number of farms both in the nation and in the South, and small farmers have borne the major brunt of the changes in the farming sector. The South contains a higher percentage of smaller farms and those owned by older farmers. Since these farms are disappearing faster than those in other categories, the South has experienced a major displacement from farms and can be expected to experience future changes if past trends continue. Nonwhite farms have all but disappeared already, with fewer than 90,000 Southern nonwhite farms remaining as of 1969. Moreover, those that remain are still mostly small -- 85 percent had sales below \$5,000 and 98 percent had sales under \$20,000. Without significant changes, few nonwhite farmers are likely to survive in Southern agriculture.

Economies of Size and the Displacement of Small Farmers

If policies are to be developed to slow down or reverse past trends, it is obviously important to understand the causes of the decline in the number of small farmers. The opinion that small farmers are less efficient than large-scale producers and hence have been and will be driven from agriculture by economic forces is shared by most agricultural economists and prevades the thinking of the policy-makers of the agricultural establishment.

In examining the evidence on economies of size, it is helpful to distinguish the effects of three sets of factors: (1) technical economies of size, or "within-plant" economies; (2) external economies related to the buying of inputs and the selling of outputs; and (3) external factors from government agricultural and tax policies and the way these policies are implemented by the various political institutions.

Technical Economies of Size

The first set of economies of size are those arising from the technology of agricultural production. Three types of evidence have been used to determine the existence of these economies of size: (a) Census of Agriculture data showing the secular trends in the size distribution of farms; (b) cross-sectional data from actual farm records on costs and production; and (c) data derived from synthetic models.

For reasons discussed thoroughly in a study by Madden and Partenheimer [21, 1972, pp. 91-107] inferences based on the first two data sources do not constitute valid evidence on economies of size because these statistics reflect the influence of policies as well as the effects of economies of size. The authors conclude that the trend in the size distribution of farms, which shows an increasing number of larger farms and an increasing proportion of total production on larger farms, does not, in fact, relate to the question of efficiency in terms of cost per unit of output. The possibility remains that smaller farms really may be no less efficient, but that some farms tend to grow larger than optimal because total profits increase with size. Moreover, the growing importance of large farms may be caused by factors other than technical efficiency, as later analysis will indicate. Farm record data, on the other hand, exhibits a considerable amount of variation in efficiency due to differences in plant utilization, quality of management, and other factors, so that the data has limited usefulness in studying the questions at hand.

The third kind of study is based on synthetic models. Two overall conclusions are reached in these studies [20, 1967]. First, most economies of size are apparently captured by the modern, fully-mechanized one- or two-man farm. Second, while the lowest unit cost of production is reached in the range of the one- or two-man farm, the cost curve is relatively flat over a wide range of farm sizes, providing an incentive for farms to increase total profits by expanding size.

Several basic points related to the findings from synthetic models are significant. First, *the optimal one-man farm is not a small operation as traditionally conceived*, but is, in fact, larger than the average size farm and well beyond the reach of the bulk of small farms in terms of land and capital requirements. For example, a recent study found the optimal one-man cotton/soybean farm in the Mississippi Delta to be a 600-acre farm with a total investment in land and equipment of \$335,000. The optimal one-man Louisiana farm growing rice and soybeans had 360 acres and a total capital investment of \$158,000 [3, 1973]. Moreover, the minimum size of these "optimal" farms has increased over time as a result of agricultural research, a factor that will be more fully discussed later.

A second point is that most synthetic models conceive of farmers with their normal complement of tractors and other machinery as being as fully occupied as possible *on their own farms*. Based on this concept, the optimal one-man farm represents the maximum number of acres that can be operated by farmers and their machines, with allowance for certain constraints. Given the size of normally available modern machinery, farms below the optimal size have higher unit pro-

duction costs -- that is, are less efficient -- because capital equipment would be underutilized. If it can be assumed, for example, that most other technical advances, including types and uses of fertilizer, new and improved crop and livestock varieties, and sound technical management practices, would be as helpful to the small farmer as to the large producer, the chief limitation of these factors in improving small farmer efficiency arises from the fact that machinery is available only in certain sizes and therefore cannot be fully utilized in small-scale operations.

In fact, this concept of a farmer who owns or controls all the durable capital and uses these resources exclusively on his own farm is not particularly useful. As Madden points out [20, 1967, p. 21]:

A more realistic concept views the farm firm as (a) a producer not only of goods but also of various services, such as custom work and off-farm jobs, and as (b) having the possibility of hiring various resource services in the amounts needed, as well as owning and operating durable resources.

Using this broader concept of the farm, it is clear that smaller-sized farms could achieve the same level of technical efficiency through custom hiring of those activities that require considerable capital investment. Another possibility is for small operators to use their machinery to work their own farms and also sell surplus labor and machinery capacity to other farmers. Finally, cooperative ownership of certain machinery also provides a way for small farmers to take advantage of any technical economies associated with superior machinery.

The studies of technical economies of size, then, do not seem to warrant an overall conclusion that large farms are inherently more efficient than smaller ones, if machinery can be assumed to be available in more adaptable units. Moreover, the studies have left unanswered some other very important questions related to the economies of size issue.

First, the studies do not, in fact, examine a range of farm sizes, so that they can say very little about the shape of unit costs over a wide range of farm sizes. In particular, while stating some "optimal" farm size, they say nothing about how inefficient, compared with the optimal, smaller producers would be. The question remains, if capital equipment is assumed to be available through custom hiring, or sizes of machinery more appropriate to smaller farmers, would smaller producers still suffer technical disadvantages of sufficient magnitude to force them from farming?

A second limitation of the efficiency of size studies concerns the types of farms analyzed in terms of crops and livestock. For the most part, the studies examine crops (and crop combinations) in which mechanization has reached most operations; that is, the types for which economies related to capital equipment are most evident. Questions remain, however, about the technical economies which may or may not exist in other types of operations. Are there some crops for which small farmers have a technical advantage? What are the crops? How much of an advantage do smaller producers have? For example, many observers

point to horticultural crops and livestock production as being areas in which the small farmer may be able to compete effectively because the available technology is more labor intensive.*

Another limitation of the studies mentioned earlier, is the failure across the whole range of activities, farm and off-farm, engaged in by the farm operator and his family. Two pieces of evidence point to the growing importance of off-farm work for smaller operators. In 1969, almost 43 percent of all farm operators with sales of less than \$10,000 worked 200 or more days off the farm [30, 1973]. In 1973, nearly one-half of all income of farm operators and nearly 75 percent of those with sales under \$10,000 came from off-farm sources [10, 1974]. This shows that on the average, operators of small farms now receive more of their total income from nonfarm activities, including farm work for wages, than they do from farming.

Thus small farmers, even if they are not as efficient as larger ones, could remain in farming on a competitive basis as long as they can earn at least the opportunity costs of their total family labor and nonlabor resources, not just that portion devoted to farming.

Given the relatively low education levels of many small farmers [34, 1970], it is clear that costs for labor used on the farm may be quite low. Whatever psychic income small farmers derive from leading the life they prefer must also be considered. Moreover, since most have wage levels below which they will not enter the labor market, small farmers might work for themselves for considerably less than they either would or could earn in external labor markets. A variety of factors could enter into such decisions, including alternatives to work provided by income maintenance systems, legal minimum wages, the use of education and other credentials to screen work forces. It also should be emphasized that large farms might have difficulty obtaining workers if there were no small farmers to work on those larger farms. Unless farm wages were much higher, agricultural workers would have great difficulty earning enough to support themselves from farm work alone.

The nature and direction of agricultural research in this country merits special attention. A large part of this research effort, carried on at the land grant colleges with both public and private funds, has been directed toward the development of crops and livestock strains and machinery not particularly adaptive to the needs of small farmers. As noted earlier, the impact of much of this research has been to increase the minimum size of the "optimal" farm and has helped to accelerate the decline in the number of small farmers.

*Horticultural crops do appear to be one of the last areas of agriculture still requiring considerable amounts of hand labor, especially in harvesting. However, agricultural engineers are at work on mechanical harvesters and agronomists are at work developing varieties of vegetables suitable for mechanized harvesting. If small farmers have any advantage here, it may be lost once these "advances" are fully developed.

But could not research be carried out, similar to the Missouri Small Farm Program and the Texas Farm Aides Project, that has the express aim of increasing the productivity of small farmers? This might take the form of developing new technologies or adapting existing ones in order to do for the small farmer what past research has done for the larger farmer. Sadly, however, it may be that institutional resistance to small-scale production will preclude the development of new technologies in time to save the small farmer.

But while it is true that technical economies do not *necessarily* preclude the small farmer, it should be noted that the trend toward mechanized agriculture has had a definite effect on the number of small farmers. Many of the small farmers, and especially sharecroppers and other tenants, have been displaced as a result of these labor-saving innovations. In addition, while custom hiring may enable small farmers to gain the technical advantages inherent in mechanization, there is little evidence that many small farmers have used this method extensively, but rather seem to have reacted to mechanization either by leaving farming altogether, shifting to crops where mechanization has not run its course, or continuing to produce crops using less capital-intensive methods.

Finally, what can be said about the impact of technical economies on the small black farmer? Basically, the conclusion holds that *if* black farmers could custom hire or sell surplus capacity in expensive machinery, they could achieve the same technical advantages that small white farmers and large farmers can. However, especially in the South, due to racial barriers blacks may not be able to purchase such services from white farmers. Moreover, blacks face some difficulties in getting financial credit which may limit or preclude their ability to purchase expensive machinery and sell surplus capacity. Finally, it is clear that mechanization has played a role in the rapid disappearance of black farmers. Blacks have historically made up a large number of the sharecroppers and tenant farmers, mainly in cotton and tobacco production, for whom mechanization has meant displacement; three-fourths of all black farmers in the South have been concentrated in cotton and tobacco.

Technical economies thus do not appear to preclude the viability of small-scale agriculture, at least in some crop and livestock areas. In particular, horticultural crops and swine production remain fairly labor-intensive and are among the most likely areas for small farmers to concentrate. It should be emphasized that while small-scale production seems practical from a theoretical viewpoint, many of the remaining small farmers do not have the technical production and management skills necessary to make the best use of their limited physical resources. In part, this results because small farmers (a) are not generally tied effectively to the communications channels (principally the USDA extension service); (b) in many cases are conservative in their outlook and hence afraid to experiment with new crops or farming methods; and (c) generally lack the financial resources to purchase expensive but efficient machinery, fertilizer, etc. Thus there appears to be a serious need to provide small farmers with practical training in production and management skills and to demonstrate the viability of new (to the small farmer) crops outside the areas (e.g., cotton) where small farmers are traditionally confined and seriously noncompetitive.

External Economies of Size

While the evidence of internal economies of size is mixed, in general it fails to prove that small scale production is inherently less efficient. There are, however, some definite advantages to size imparted by *external* economies related to the buying of inputs and the selling of agricultural products.

These advantages include: (a) quantity discounts for large purchases of supplies such as seed, feed, fertilizer, and chemicals; (b) access to credit; (c) land availability; and (d) marketing advantages. How important are these advantages? To what extent can small farmers overcome their disadvantages through such devices as marketing and supply cooperatives?

Quantity Purchases. The ability of large-scale farmers to lower supply costs through large quantity purchases of agricultural supplies may result in economies of size. One recent study of corn production indicated that 5,000 acre corn farms may be able to realize savings of up to 20 percent, compared with a 500 acre farm, on the cost of such items as seed, fuel, and pesticides [17, 1971]. Presumably, similar savings would be available to large-scale producers of other crops. It is probably true that large purchasers have a greater assurance of secure access to supplies in times of shortages such as the shortages of fertilizers in 1974-75.

But some of these economies can surely be obtained by smaller operators organized in supply cooperatives, provided dealers are willing to give small-farm cooperatives quantity discounts and assurances of access to credit similar to those now available to larger commercial farmers. The quantitative importance of these purchasing advantages has not been adequately explored. Moreover, as the study regarding corn farmers indicates, the stated advantages are not available in many instances even to medium-sized farms.

Credit. A more serious problem for small farmers concerns their access to credit in adequate amounts at reasonable interest rates. Farming today is a business which requires a great deal of financial credit for land and machinery purchase as well as for normal operating expenses. Moreover, small farmers in general face great difficulties in obtaining needed credit. Major sources of farm credit such as the Federal Land Banks, Production Credit Associations, and rural commercial banks have often failed to extend credit to small farmers because of the higher risks faced by these operators, their lower equity position, and the generally conservative lending policies of these institutions.

The Farmers Home Administration (FHA) does make credit available to some small farmers who could not obtain credit elsewhere, but FHA's mandate, which requires it to help those who can benefit from its loans, combined with the general attitudes of federal, state and county FHA officials, has, in fact, helped white farmers more than blacks and the affluent more than their poorer neighbors.

FHA has also been criticized by some smaller farmers for the inflexibility of its loan procedures. Several small farmers interviewed for this study described their experiences in unfavorable terms. FHA, according to these inter-

viewees, does not provide enough initial operating money and fails to meet the farmers' needs. One small Louisiana farmer we interviewed said he was refused a loan because he was too small but that he needed the loan in order to get larger! In addition, FHA has not proved to be a very effective source of credit on short notice for emergencies arising during the crop season.

On the other hand, some members of the agricultural establishment are not pleased with even the limited attention FHA has devoted to the problems of small farmers. According to one FHA official in Washington, proposals have been discussed which would scrap the FHA farm operating and farm ownership loan program altogether. The FHA official noted, "We have done nothing with the program but allow a number of 'marginal' operators to remain in agriculture where they don't belong."

It is clear that limited access to credit could prove disastrous to small farmers. The drying up of the FHA farm loan program, if it occurs, may well spell the end of the line for small operators who generally lack the equity base to qualify for credit elsewhere. In addition, while cooperatives may be an alternative (maybe *the* alternative) for small farmers, low-income cooperatives face serious financial problems.

Land. Small farmers also face difficulties in buying or renting prime agricultural land. So far as purchasing land is concerned, the problem is in part related to lack of credit. Another problem has been skyrocketing land values, driven up in some cases by land speculation coupled with tax policies which have fostered the rise of "hobby" farming. In some areas land prices exceed the use value of the land for agricultural purposes. In addition, some smaller farmers face difficulties in finding land available in the smaller-sized plots which they can afford. The data on farms by tenancy indicate that the most rapid declines have occurred among the landless tenants and sharecroppers (Table II.4). For this group, failure to obtain land has meant almost certain displacement.

For many small farmers wishing to expand, the more desirable option is that of renting agricultural land, either on a cash or share basis. However, some small farmers have experienced difficulties in obtaining and keeping rental agreements with land owners who have turned over much of the prime land to larger operators. Even small farmers who once enjoyed the privilege of renting land have found that in some areas the land is no longer available to them.

For black farmers, the problems are compounded by racial discrimination. Black farmers have experienced considerable difficulties in acquiring agricultural land, either for purchase or rent. Black farmers we interviewed noted that even black landowners prefer to rent to larger white farmers. In addition, the problems faced by black landowners in holding on to their land have been tremendous. Partition sales, tax foreclosures, and other devices have caused the loss of much black-held land. The large declines in the number of black tenants and owners bear out the seriousness of the land issue for minority farmers.

Marketing. Marketing provides another source of external economic advantages for larger producers. Larger farmers often can achieve savings by bypassing some of the traditional stages of marketing and transportation. It is clear, as already noted, that the demand side of agricultural markets is being concentrated into larger purchasing and retail trade firms. Small farmers acting independently therefore incur severe competitive disadvantages when dealing with the large agribusiness concerns. Vertical integration, production contracting, and the growth of large-scale "corporate-styled" farming have become increasingly important parts of the American and Southern agricultural scenes [26, 1975].

Contract farming is an increasingly common form of marketing arrangement. The best illustration of this form of agribusiness control is provided by the poultry industry. Heavily concentrated on the supply side of the market for inputs, and on the demand side of the market for broilers, much of the actual raising is done by small farmers operating under contractual arrangements. Today over 98 percent of all chickens are raised under contract [37, 1970, p. 103]. The farmer is supplied with feed, seed, medicines, and chicks (often the grower is required to purchase these from the contractor under tie-in arrangements) while the farmer supplies the land, labor, and a sizeable share of the capital in the form of chicken houses. Under this system the corporation gains the chief advantage of family farming -- cheap labor -- while shifting to the grower many of the costs and risks of the business. The grower is often saddled with heavy debts in the form of mortgages on his land and buildings and is faced with the choice of accepting the low returns offered by the contractors or losing his farm.

As in any other highly competitive industry, wages are low and bargaining power is weak. The growers are often faced with a monopoly situation in local areas where there is only one company to deal with, although companies deny that territories are parcelled out [6, 1967, p. 4]. Low and even negative returns to labor are not uncommon. A USDA study found that poultry growers in northern Alabama averaged *minus* 36 cents an hour [29, 1970, p. 4], another study showed growers in Georgia with average wages of 53 cents an hour [6, 1967, p. 4]. While 1969 was a record year, the net return to the average poultry farmer was only about \$2,000 per year [37, 1970, p. 109]. In many cases growers can survive in the short run by living off the depreciation on their chicken houses and equipment or by going deeper in debt. The long run often finds the grower forced to sell out to larger producers.

Contracting is becoming more common in other areas of agriculture as well. For example, Stokely Van Camp, a major agribusiness concern, had some 9,000 acres of vegetables under contract in 1970 [2, 1974].

While contracting may offer some benefits to farmers in the sense of assured markets, the poultry industry is an example of how contracting can work to the long-run detriment of small operators. These farmers have, in essence, become hired help for the corporations, while the contractors benefit from not having to pay minimum wages to the growers. Acting independently, these growers stand little chance of increasing their incomes. Only through organization can their bargaining strength be increased and their economic

plight eased. Even then, of course, small farmers as well as agribusinesses will continue to suffer from uncertainties associated with the instability of agricultural production and prices.

While contracting has not yet reached all areas of agriculture in the same proportions, the American Agricultural Marketing Association estimates that half of all food will be produced under contract by the end of the 1970s and within 15 years some three-fourths of all agricultural production will be covered by contracts [13, 1970, p. 4].

Small farmers also face competitive marketing disadvantages because they frequently do not control large enough supplies of agricultural products to give them much bargaining power with buyers. Small farmers might overcome this disadvantage through marketing cooperatives, assuming their members produce volumes approaching the size necessary to attract attention in the marketplace. Low-income cooperatives have had many problems, especially where they have had to buck the local establishment.

Relative to their larger competitors, small farm operators have been disadvantaged by the inherent instability of agricultural production and prices. Larger agribusinesses, especially if they have significant nonfarm sources of income, are better able to spread their losses over several years. Smaller operators can do this if they have nonfarm income sources, but they would have trouble doing so if they attempted to depend on farm income alone.

Agricultural instability is caused in part by inherent weather problems, but also by the nature of the demand for agricultural products. *Market demand* tends to be *relatively inelastic*, so that changes in supply create wide fluctuations in prices. However, *demand for each farmer's production is relative elastic*, giving the individual very little control over prices. The smaller the supply provided by a particular farmer relative to total demand, the smaller the influence on prices. Large farmers have some bargaining power, but smaller operations are likely to have no bargaining power at all.

Agricultural Cooperatives and Small Farmers

Cooperatives are one way small farmers as a group can raise their bargaining power, and are, we believe, absolutely essential to the long-run survival of small farmers in an economic and political environment inimical to their interests. However, for the most part, low-income co-ops have been difficult to organize, have received limited support from the agricultural system, and face severe problems which must be solved before they can become viable economic enterprises.

Cooperatives have a long history in American agriculture dating back to the 1800s [24, 1964, p. 56]. By the 1920s, large-scale farm cooperatives were well established and a number of state-wide, regional, and national organizations supporting the co-op movement had been formed (including the American Farm Bureau Federation, the National Council of Farmers' Cooperatives, and the Cooperative League). The New Deal contained some special programs, notably the Banks

for Cooperatives, which fostered the growth and development of agricultural cooperatives. Traditionally, agricultural cooperatives have been successful in the U.S. only among the larger farmers who have the capital, land, and entrepreneurial resources to establish successful businesses. Today, most of the cooperatives are a part of the agricultural establishment and are not generally interested in, and, in many cases, are hostile to cooperatives of small, low-income farmers [18, 1974].

Prior to the 1960s the only significant effort to establish cooperatives among Southern blacks and poor whites was the program of the Farm Security Administration (FSA), created in 1935 [4, 1968, pp. 204-7]. The FSA was responsible for the formation of numerous poor people's cooperatives, but opposition from the agricultural establishment (the USDA extension service, state extension services and state land grant agricultural colleges, private farm machinery and supply companies, established cooperatives, and especially the American Farm Bureau Federation) forced a series of restrictions on FSA activities beginning in 1943, which seriously limited the agency's ability to continue some of its more important services to co-ops. In 1945, FSA was abolished and replaced by the Farmers Home Administration. While the co-ops supported by FSA did have a rather high incidence of failure (because of insufficient volume, poor patronage, and inexperienced management -- traditional problems for co-ops), the rate prior to 1940 was no greater than the bankruptcy rate among private manufacturing enterprises. In June, 1946, 84 percent of the co-ops established with FSA funds were still in existence and 65 percent of the loans had been completely repaid. Some of these co-ops became strong, viable enterprises.

The present poor people cooperative movement originated in the social unrest and civil rights activity of the 1960s [22, 1971]. In 1966, several co-op leaders and members met with representatives of the Southern Regional Council, the Cooperative League, the Office of Economic Opportunity, the National Sharecroppers Fund, the Credit Unions National Association, and other groups at the Mount Beulah Conference Center near Edwards, Mississippi, to exchange ideas and experiences concerning cooperatives for the rural poor. The outcome of this activity was the founding of the Federation of Southern Cooperatives (FSC) in February, 1967, and the Southern Cooperative Development Program in June, 1967. In 1969 these two organizations were merged and the Southern Cooperative Development Fund was created to be the lending arm of FSC, while the Federation was to provide technical assistance.

The Federation of Southern Cooperatives and the Southern Cooperative Development Fund have compiled a moderately successful record in organizing and supporting cooperatives among the rural poor in the South. Today FSC has some 130 member cooperatives in 14 Southern states, including 30 agricultural cooperatives with 10,000 small farmer members [12, 1975]. Essential to the success of these farming cooperatives is technical training for farmers and managerial training for co-op managers. FSC is active in providing a wide range of technical support service and training for both co-op managers and small farmers. Much of this training takes place on the 1,325 acres of the Rural Training, Research and Demonstration Farming Center opened in 1971 near Epes, Alabama. FSC not only trains farmers in agricultural skills, but has

provided training in non-agricultural pursuits, such as jobs in heavy construction for the Tennessee-Tombigbee Waterway Project. While FSC has had its problems, chiefly financial, it has done a credible job given its limited resources, and is one of the few organizations which is working to improve the economic viability of cooperatives, and hence the viability of small farmers.

The National Sharecroppers Fund also operates a training program for small farmers at its 500 acre Frank P. Graham Experimental Farm and Training Center near Wadesboro, North Carolina. Acquired in 1972, the Graham farm has become a center for the training of small farmers in the techniques of organic farming methods, crop selection, marketing, and cooperative organization. The NSF has chosen to emphasize organic methods of farming because it fits with the limited capital, poor quality land, and more abundant labor available to many small farmers. Farmers are also taught such skills as carpentry, welding, and machinery repair which are not only useful on the farm but can be used to generate non-farm income. Other trainees are given a more intensive training course in the techniques of organizing and managing agricultural co-ops to help fill the need for more competent co-op managers. In addition, the Graham farm is being used to research the crops and production techniques most suitable for small-scale production.

The history of poor people's cooperatives reveals the difficulties faced by these organizations in the areas of management, marketing, and credit.

Management. Successful cooperatives, like any other business, must have effective management, which is complicated in the case of co-ops by the principle of membership control, which requires communication and interaction between members and managers. In the past, the low-income co-ops have been plagued by poor, and in some cases, dishonest, managers. The low educational levels of small farmers as a group have made recruitment of managers from the membership difficult. Moreover, many members, some of whom serve on boards of directors, do not understand their co-op's financial statements and are often afraid to question managers about financial affairs. Efforts to increase the supply of competent managers and to improve the sophistication of co-op members, such as the programs of the FSC and the NSF, are desperately needed.

Marketing. Marketing problems are also quite uniformly a problem for low-income co-ops. Few of the leaders, managers, and other personnel have any significant training or expertise in the techniques of marketing. Specialists to work with co-ops to locate and develop markets for their products are needed but are not available in sufficient numbers. Other problems of marketing stem from a lack of patronage so necessary to generate sufficient volume to compete with other producers and, in many cases, the failure on the part of the farmers to grow quality products and on the part of the co-op to properly grade and process the products. The lack of patronage has resulted from an incomplete understanding by farmers of the need for sufficient volume, and from harassment by local political and economic leaders who have threatened or bribed potential co-op members. Other co-ops have been so financially weak that they have been unable to pay farmers upon delivery or to provide the kinds of services (e.g., advance payments) available from private traders or consumer outlets.

The agricultural co-ops have also had marketing difficulties because of quality control problems caused by improper grading procedures and inadequate processing and storage facilities. These problems are due both to lack of expertise and to undercapitalization.

High quality products are essential to developing and maintaining markets. Often co-op members are producing crops they have never produced before and have not yet mastered the most efficient production methods. Examples of production problems include: failure to use good seeds or properly apply fertilizers and chemicals, to keep crops dry and clean until delivered, or to plant and harvest crops on time. Co-ops, however, find it difficult to refuse substandard products for fear of alienating members.

A coordinated effort between marketing and production which involves the ability to shift or expand production into new and potentially profitable areas is absolutely essential to success. A key to this effort is technical training for co-op members. While state extension services are supposed to be providers of technical information, the lack of concern for the problems of small farmers, limited resources, and, in some cases, hostility to low-income farmer cooperatives, have limited the role played by county agents and state extension service personnel. Organizations such as the Federation of Southern Cooperatives and the National Sharecroppers Fund are attempting to fill the gap left by the government's failure to adopt and implement programs to help poor farmers, but their resources, staff, and experiences are too limited to do the job that needs to be done.

Credit. The financial problems of low-income co-ops are severe. Ideally, co-ops should raise a substantial portion of their operating capital from members to avoid having heavy debts and to give members a stake in the enterprise. The low incomes and meager assets of small farmers have necessarily limited the actual financial investment by members in co-ops, but it would probably be better if members were required to make a more substantial and sacrificial investment than has been the case.

Because of their many managerial and financial difficulties, low-income co-ops have not been able to secure adequate credit from traditional private sources. Private institutions organized for profit can most often find more attractive investment opportunities than struggling co-ops. Most commercial banks have refused to lend to cooperatives, partly because the loans are risky, and banks, especially rural banks, are notoriously conservative lenders, and partly because many banks oppose the idea of low-income cooperatives.

Even those federal credit programs established for people who have difficulty finding credit elsewhere have often not been willing to help low-income co-ops. The Banks for Cooperatives, established in 1933 because established cooperatives were having difficulty obtaining credit from traditional sources, continue to benefit wealthier co-ops by providing both credit and technical services, but have not proved to be a ready source of credit to low-income co-ops. Moreover, the Banks for Cooperatives will provide only 50 percent of the funds for any loan application, and even this must be secured by collateral. The equal opportunity loan program, created in 1964 and administered by the

Farmers Home Administration, has supported some low-income cooperatives, and some FHA officials have been quite helpful to poor farmers. However, as noted above, FHA is vulnerable to political pressures and, in many areas, is administered by people with little sympathy for the growth of low-income cooperatives. In addition, FHA has not relied on a program of "supervised credit" which would coordinate loans with technical assistance.

While both traditional credit sources and federal programs have failed to serve the needs of low-income cooperatives, the Southern Cooperative Development Fund (SCDF) exists primarily for the purpose of providing credit and technical aid to cooperatives of low-income people. Established in 1969 with a combination of grants from the Office of Economic Opportunity and from private foundations, SCDF's assets have grown from only \$89,000 in 1970 to over \$35 million in 1974 [25, 1974]. The ownership of SCDF is held by its member co-ops and private investors, including a number of private foundations. The co-ops also share in the control of SCDF by being represented on its board of directors. Today SCDF serves the credit needs of 30 cooperatives in eight Southern states and is rapidly becoming a viable financial institution. SCDF uses the "supervised credit" approach, supplying not only credit but vitally needed technical assistance. However, the current resources of SCDF are very limited relative to the vast need.

The credit problems of low-income cooperatives perpetuates their marginal status. Lack of success causes financial and credit difficulties, but without adequate financial resources, success is problematical. Support of low-income co-ops should be composed of a combination of loans and grants. Excessive grants do not necessitate the kind of economic discipline required to repay loans. Moreover, grants may create long-run problems if the co-ops are not able to sustain the services initially made possible by grants. A balance clearly needs to be maintained between the two. Loans might be a good practice for the purchase of tangibles (land, equipment, for example) with grants used for intangibles (professional services, educational activities).

The creation of a federal rural development bank, which would use the "supervised credit" approach, might be useful in aiding overall rural development as well as providing needed support to low-income agricultural co-ops. Since small farmers and their families often depend upon nonfarm sources of income, efforts to stimulate industrial growth in rural areas will make small farmers and their co-ops more economically viable. Because such an organization would probably have limited funds, it should help cooperative borrowers acquire as much leverage as possible through revolving funds, loan guarantees, and pooling arrangements. While banks might be forced to subsidize low-income co-ops in initial and developmental stages, the net result from our human resource development perspective is likely to be positive if it can aid the survival of low-income farmers and rural development and consequently reduce urban poverty with its concomitant social problems.

Appraisal. The past history of low-income co-ops suggests they can be effective in raising members' incomes and in stimulating increased participation in rural communities. A study by ABT Associates, Inc. in 1970-72 found incomes of members increased by \$962, or nearly 20 percent, and almost half

reported increased community participation [1, 1973]. The same study, however, concluded that co-ops, as presently constituted, do not have a substantial overall impact on economic development, a finding not too surprising given the small size and fragile nature of the co-ops. For co-ops to make a significant impact on rural poverty and on the problems of their members, they must gain considerable strength or stimulate basic policy changes. Cooperatives could, for example, join with unions, civil rights groups, and interested foundations in providing a voice for small farmers and the rural poor. In the absence of such representation, agricultural and rural development policies will continue to be made by, and reflect the interests of, the more affluent farmers and their allies.

Objections have been raised to cooperatives by those who question their economic feasibility. Many of these critics feel small farmers are unable to compete with large farmers; they are inclined to see training for nonagricultural jobs as the solution rather than efforts to keep farmers on the land. There is, of course, no guarantee that cooperatives will be economically successful, although experience indicates that they can be. Moreover, it is not clear, as earlier noted, that small farmers are necessarily unable to compete if their credit, marketing, and technical assistance needs are met. Co-ops are not, and should not be considered, the sole answer, but they are one way in which poor people can increase their productivity and income.

Co-ops for poor people are also criticized as being marginal economic enterprises. It should be emphasized, however, that if cooperatives are able, as the previously mentioned study concluded that they are, to raise annual incomes by \$962, though this might be considered marginal by urban standards, it is clearly significant to families whose incomes average \$4,000 and are often as low as \$800. Moreover, by supporting cooperatives, we recognize that many people, especially the old and poorly educated, will work in marginal enterprises wherever they go, and that some who could earn higher incomes in cities may prefer to live in rural areas and combine farm and nonfarm income. Co-ops are designed to increase the options available to the poor, either in farming or elsewhere.

U.S. Agricultural and Tax Policies

The last set of disadvantages faced by small farmers -- but certainly not the least significant -- are the agricultural and tax policies of the government and the way those policies are implemented by the various agencies and institutions in the agricultural "establishment." It is ironic that some of these policies -- in particular the special tax rules and the subsidy system -- were established with the stated intent of providing assistance to small, low-income farmers. However, while certain programs helped small farmers, the overall advantages have accrued to larger producers and have contributed to the displacement of poor farmers, who received virtually no government help to prepare them for alternative employment in the nonfarm sector.

Current tax laws also provide special treatment to larger "farmers" [7, 1974; 9, 1973]. Many provisions originally were established to simplify record keeping for small family farmers and to provide tax relief to farmers subject to widely fluctuating incomes. Currently, the tax policies provide incentives

for persons with large nonfarm incomes to enter farming, yield more benefits to larger than to smaller farmers, and represent subsidies to land and capital as opposed to labor, the one resource which small farmers have in relative abundance.

One of these provisions allows farmers to use the cash method of accounting as opposed to the accrual method. The cash method allows costs to be deducted prior to the realization of the associated income. To the farmer this helps simplify record keeping and provides some flexibility in shifting income from one year to the next. The artificial losses generated by this shifting, however, are not true economic losses but allow the postponement of taxes. In essence, this is an interest-free loan from the government. Profits realized from another farming venture may be reinvested, and the law allows the "loan" to be extended. Additional provisions allow certain expenses, such as outlays for soil and water conservation and land clearing and improvement, which would have to be capitalized in other business, to be treated as current expenses. Other provisions, in conjunction with the above, enable an investor to convert ordinary income into capital gains income, taxable at a lower rate.

These tax policies have several important consequences. First, while the provisions apply to all individuals with farm income, the special benefits are particularly important to those taxpayers who have large nonfarm incomes against which to offset the "artificial" tax losses. This has generated unfair competition for the farmer who depends on farm income for a major portion of his livelihood. To the "true" farmer, real income and farm income are the same. If farm losses occur, the farmer suffers, while the individual with nonfarm income gains from being able to reduce taxable income. Moreover, if profits are made, the nonfarm investor can still escape taxes by reinvesting profits in another farming venture. However, the operator who depends entirely on farming must live off his farm income and pay taxes on it.

Second, because of the graduated nature of the income tax schedule, larger producers (farm and nonfarm) receive larger benefits from the provisions allowing expenses to be deducted. For example, an individual in the 50 percent bracket receives a subsidy of \$500 on an expense of \$1,000, while the poor farmer in the 14 percent bracket receives a subsidy of only \$150, and the poorest farmers whose adjusted gross incomes are zero or negative receive nothing.

These features of the tax laws have encouraged rapid mechanization by allowing a substantial share of the cost of expensive machinery to be shifted to the Federal Government. This amounts to a subsidy on capital.

Tax benefits to those with larger income (and especially those with large nonfarm incomes) have contributed to the rising demand for agricultural land and helped push up land prices. This, combined with the provision allowing land improvement expenses to be treated as current expenses rather than being capitalized, have amounted to a subsidy on land.

Even though a dollar figure cannot be placed on the effect of these provisions, they have undoubtedly played a part in displacing small farmers.

While the rich get richer, the family farmer is competitively disadvantaged. Agricultural markets are distorted, the public treasury is avoided, land values are artificially inflated and consumers are faced with a threat to food prices and supplies. It is a losing proposition unless you are rich [9, 1973].

Inefficiencies also are encouraged by tax provisions permitting large farmers to charge their equipment costs to the government; *these provisions provide little incentive for the efficient use of equipment.* Large farmers can acquire expensive equipment, use it only part-time or inefficiently and through depreciation shift costs to the government. Theoretically, smaller farmers might do the same thing, but they cannot afford the expensive equipment.

In addition to the discrimination against small farmers inherent in the tax policies, agricultural policies and programs beginning with the New Deal era have operated to displace thousands of small farmers. Although some of the New Deal programs did aid the small farmers, the impact of these favorable programs was small relative to the need, and they were more than offset by other policies favoring the larger producer. Particularly disastrous for the small farmer were the Agricultural Adjustment Act and the set of price support and direct set-aside programs which constituted U.S. agricultural policy. For the most part, these measures benefitted larger farmers who had the land and capital to take advantage of their provisions.

A recent study of the distribution of benefits indicates that the payments, already unequally distributed in 1964, actually became more regressive between 1964 and 1974. The study shows that the wealthiest 20 percent of the beneficiaries received over half the total payments, with the exception of the corn program in 1971 and the tobacco program in 1968 [28, 1974].

Most commodity payments are on the basis of acreage, poundage, or some other measure of volume, which results in greater benefits for larger farmers. Those programs not based on volume (such as the diversion payments for feed grains) were less regressive than commodity programs [5, 1968]. Some noncommodity programs even tended to be progressive and helped smaller farmers more than larger ones [23, 1968].

The tobacco program is unusual in that it has for the most part operated to help the small farmer. Prior to 1971, tobacco allotments were attached to the land, making it difficult for larger farmers to buy up the allotments without buying the land [32, 1964]. There have been recent changes in the tobacco program which remove many of the restrictions on the lease and transfer of allotments. These changes and the development of a mechanical tobacco harvester suggest that the small tobacco farmer may be displaced in coming years. In fact, the Economic Research Service has a research project underway to monitor the expected displacement. This change may be particularly disastrous to small black farmers who have been heavily concentrated on tobacco farms. In 1969, more than one-third of all black farms in economic class 1-5 (i.e., with sales of over \$2,500) were classified as tobacco farms [30, 1973].

While there are technical problems that prevent accurate measurement of the

quantitative impact of the subsidy system on small farmer displacement, there can be little doubt that the *net* effect has been to reduce the number of small farmers.

In addition to tax and subsidy policies which favor the large producer, the same bias is clearly evident throughout the entire network of federal, state, and local agricultural agencies. The prevailing attitude is that small farmers are obsolete and have no real future in the American agricultural system. This was clearly expressed by one U.S.D.A. official [35, 1971]:

The low income farm population is not personally my cup of tea They don't have too much to offer except labor and it is less important today. These people were cotton choppers You can't go against market trends when everything else points to bigness.

This attitude permeates the agricultural establishment. It is manifested in the policies and actions of the agencies of the U.S.D.A. which administer agricultural programs -- the Agricultural Stabilization and Conservation Service (ASCA), Farmers Home Administration (FHA) and the Cooperative Extension Service (CES). With a few reasonable exceptions, these agencies have a relatively poor record serving the needs of low-income small farmers. The problems for black farmers are compounded by racial discrimination. Few blacks are employed in U.S.D.A. agencies and black participation on decision-making committees is notably low.

The ASCA, which administers the crop support and conservation programs, has been almost entirely controlled by whites. As late as 1968, no black farmers were regular members of a county ASCS committee. In 1974, five of the 9,096 county committeemen in the U.S. were black -- two blacks were county committeemen of the 3,857 in the South. In 1973, there were only 157 blacks employed in county ASCS offices, less than 2 percent of the total employment (Table III.1.). In the South, there were 143 black employees out of a total of 4,150, and only 13 of the Southern blacks held professional positions [31, 1974].

The discriminatory bias in FHA's loan program was discussed earlier. Blacks have participated little on the county FHA committees, which determine loan eligibility, and are rarely employed in county offices. In 1961, there were no blacks among the 7,000 county committee members. In 1969, there were 385 black committee members in the South, presumably because of a 1965 FHA directive requiring counties where blacks comprise at least 20 percent of the total farmers to have at least one black on the county committee [14, 1968]. By 1973, there were 522 black committeepersons in the South; some of this increase was spurred by a 1969 directive requiring counties with a majority of black farmers to have a majority of blacks on the county committee [11].

FHA's record with respect to black employment has also been poor, but is showing some improvement. There were only 32 blacks employed in county FHA offices in 1965 and blacks still comprised only 206 out of a total of 2,935 in 1973. Moreover, blacks have been heavily concentrated in the position of

Table III.1
Employment by Race, by State for the South, and Total U.S., for
Agricultural Stabilization and Conservation Service
1973

State	All Employees			Black Employees			County Committees		Community Committees	
	Total	Grade COL-C05	Grade C06-C011	Total	Grade C01-C05	Grade C06-C011	Total	Black	Total	Black
Alabama	285	212	73	17	15	2	201	1	1,258	27
Arkansas	226	160	66	2	2	-	223	-	988	10
Florida	106	57	49	2	2	-	193	-	81	-
Georgia	427	300	127	19	18	1	447	-	790	2
Kentucky	337	226	111	6	5	1	350	-	1,356	2
Louisiana	156	97	59	7	5	2	192	-	691	7
Mississippi	260	173	87	9	8	1	245	-	929	18
North Carolina	510	346	164	33	30	3	286	-	2,895	25
Oklahoma	280	198	82	2	1	1	224	7	870	11
South Carolina	214	156	58	12	11	1	138	-	1,134	35
Tennessee	389	272	116	13	12	1	283	-	2,213	11
Texas	736	501	235	2	2	-	755	-	1,748	13
Virginia	225	133	92	19	19	-	290	-	796	11
Total South	4,150	2,831	1,319	143	130	13	3,857	2	15,749	172
Total U.S.	9,476	6,365	3,111	157	136	21	9,096	5	44,106	192

SOURCE: U.S. Department of Agriculture, Agricultural Stabilization and Conservation Service, *Program Participation and County Office Employment By Racial Groups, 1973* (Washington, D.C.; September 1974).

county supervisor and assistant supervisor. In 1973, there were 57 black supervisors, 42 in the South, and 136 assistant supervisors in the nation (See Table III.2) [11]. Whether or not this improved record comes too late to save the remaining black farmers is debatable.

The Cooperative Extension Service was established to help farmers improve their productivity by providing advice on management and the technical aspects of farming. While the Extension Service has a good record in helping larger farmers, it lacks an effective outreach component and has done little to help the poorest farmers improve their lot. In fact, although there are some notable exceptions, county and state extension service personnel often strongly resist working with "marginal" farmers. One state extension official seemed to welcome the food crisis of the mid-1970s, since it gave him an excuse to justify less effort on "sociological" programs, that is, those aimed at the poor farmer. He said that such programs for small farmers are a luxury which the nation can no longer afford, since the nation's duty is to increase agricultural output which cannot be done by small farmers.

The county agent can play an important role in helping the small farmer to survive. Increases in productivity and income have occurred in counties where agents take an interest in working with smaller farmers. In the South, however, black farmers receive little help from white county agents. It is significant, then, that Mississippi got its first black county agent, Charles Wade of Holmes County, in 1975, as a result of a suit brought against the Mississippi State Cooperative Extension Service. Similar suits are in progress or have been considered in other Southern states. However, Frank Parker, Wade's attorney, said he feared countless suits would be necessary before the flagrant discrimination in hiring, promotion, and the provision of services was ended in the South. No data are available showing black employment in the state and local CES offices, since they are classified as being state employees and, therefore, not subject to federal EEOC reporting requirements.

The Extension Service has not been totally impervious to the criticism that it has ignored small farmers. In several states, it has placed paid and unpaid aides in local communities to extend to small farmers some of the same services given to their larger counterparts. Some of the more successful of these programs are in Texas and Missouri [19; 29, 1972]. In both the Texas and the Missouri programs the approach used was to train educational aides with some interest in and exposure to agriculture, to work intensively with small farmers to examine their agriculture operations with a hope of improving production techniques used; in some cases, introducing the farmers to new crop varieties or livestock possibilities; informing them of services available at the extension service, Soil Conservation Service, FHA, etc.; and considering the possibilities for nonfarm earnings. The results of these efforts indicate that poor farmers do have the motivation to improve their economic positions and will change production techniques to increase farm productivity. The programs also seemed to have paid off in increased incomes to participants. Even though the programs as a whole appear to be moderately successful, they did not get underway until the number of small farmers had been greatly reduced. The programs are also limited in number and receive a small amount of resources relative to both the total extension service budget and the need.

Table III.2
County Office Employment and County Committee Participation, Farmers Home
Administration, by Race, South and Total U.S., 1973

State	State Employment			County Committees			Black State Committeepersons	
	Total	Blacks	Black County Supervisors	Total	Blacks	Black Chairpersons	Total	Chairpersons
AL	201	6	-	189	49	31	-	-
AR	269	30	7	225	39	16	1	-
FL	101	11	3	108	13	12	2	1
GA	187	15	2	305	59	33	-	-
KY	196	7	1	184	13	2	1	-
LA	156	11	-	131	36	15	1	-
MS	379	31	2	237	73	41	1	-
NC	298	18	4	265	54	34	1	1
OK	205	5	1	215	12	6	-	-
SC	161	20	8	144	62	26	-	-
TN	212	21	1	208	23	18	-	-
TX	436	14	4	625	37	20	-	-
VA	134	17	9	212	52	29	-	-
Total South	2,935	206	42	3,048	522	283	7	2
Total U.S.	7,057	416 ^a	57	6,735	570	296	12	3

Employment By Class of Job For Total U.S., 1973

Grade	South		U.S.		Selected Job Classifications
	Total	Black	Total	Black	
GS 15 or higher	68	-	140	-	Loan Chiefs
GS 12-14	752	19	223	13	Loan Officers
GS 10-11	1,652	57	68	1	Engineers
GS 8-9	1,194	128	226	1	District Supervisors
GS 5-7	2,293	82	1,534	50	County Supervisors, GS 11
GS 1-4	1,118	127	161	7	County Supervisors, GS 9
Wage Board	7	3	1,168	136	Assistant Count. Supervisors
TOTAL	7,057	416 ^a	3,520	208	TOTAL

^aTotals include National Offices (59 blacks) and St. Louis Financial Office (96 blacks).
 SOURCE: Farmers Home Administration.

In addition to the aides programs, a modest amount of research effort has been directed to the problems of small farmers. Some of the research has been quite good and helpful, but in the land grant college system, the amount of research devoted to small farmers has been only a very small part of the total. It should be noted here that Title V of the Rural Development Act authorized funds to be spent on researching the problems of small farmers. However, the total amount of funds appropriated under the Title have been miniscule.

There is little doubt that the land grant college system and its research efforts have played a large role in raising the microeconomic productivity of American agriculture. But it is also clear that some aspects of this research effort have been detrimental to the nation's small farmers. In spite of a growing interest in rural human resource development problems, only 289 of 6,000 scientific man-years spent on research in the land grant colleges in 1969 could be classified as "people-oriented" [15, 1972, p. 4]. The black land grant colleges have had a better record in helping the poorer farmers but they have received a dismally low percentage of the total allocation of research funds. In 1971, only 0.5 percent of the total of \$76.8 million dollars went to black colleges [15, 1972, p. 21]. A major reason for the character of the research at land grant colleges is the control of that system by interlocking forces representing the political, academic, and economic power structure. According to Hightower [15, 1972, p. 15]:

Land grant policy is the product of a closed community. The administrators, academics, and scientists, along with the USDA officials and corporate executives, have locked themselves into an inbred and even incestuous complex, and they are incapable of thinking beyond their self-interest and traditional concepts of agricultural research.

The end result is clear: public monies spent at the land grant colleges have subsidized agribusiness companies, fostered a rise in large-scale "corporate" agriculture, and severely weakened the position of the small farmer. While research efforts on the problems of small farmers could conceivably bring increased productivity and incomes to this group, this kind of research is not likely to be generated unless the stranglehold of the present power structures is broken.

Evidence from Abroad

An examination of the experiences of other countries provides evidence on the economies of various sizes of farms under a variety of conditions. Such a comparison makes it possible to separate general conclusions applicable to all systems from conditions unique to particular places and circumstances.

Studies in Israel and the socialist countries suggest a logical division of labor between different types of farms. In Israel, for example, communal farms, the kibbutzim, are used mainly for capital-intensive agriculture. Individual family farms do exist but are organized in the moshav system by which they purchase supplies and sell their products cooperatively. Indeed, the

moshav made it possible for family farms to be rationalized into a structure suitable for Israel's political, economic and social objectives [16, 1970].

International evidence indicates that the family farm is a flexible and viable economic institution, even under seemingly hostile conditions. This evidence also confirms that family farms can have considerable economic advantage in agricultural operations. In the instances where advantages of size are associated with supporting services (transportation, purchase of supplies, marketing, use of machinery), cooperatives or other institutions can be established which allow the family farm to survive and prosper.

The experiences of the Soviet Union and other socialist societies suggest the hardiness of the family farm as an organizational form for agriculture. Many attempts to replace family farms with collective agricultural organizations more ideologically acceptable to socialists have been made. Nevertheless, the farmstead survives as a viable agricultural form, supplying large proportions of total national production of labor-intensive crops. Indeed, the private sector in Russia produces 60 percent of the potato crop and almost 50 percent of all vegetables:

Figures from the early 1960's indicate that about 99 percent of the cultivated farmland is in collective or government farms. Only 1 percent is worked by individual families, in small plots allotted mainly to Kolkhoz members but also to other groups of workers. These plots are usually less than one acre. Available estimates indicate, however, that the small private sector provides over 30 percent of the total agricultural output [36, 1971, p. 35].

Family farms have made valuable contributions to increasing agricultural output in the developing countries:

. . . family farms have certain attributes that render them more suitable than managed farms for increasing agricultural production in developing countries. The experience of communist countries indicates that the supposed conflict between individual ownership and efficient production is illusory and superficial. . . . The economic performance of farmers is better on their own plots than on the managed farms, even when the family farm starts with initial disadvantages [36, 1971, p. 39].

Perhaps the clearest international evidence of the efficiency of small farms is from Taiwan, where land reform and government support for agriculture after 1949 created relatively ideal conditions for individual farmers.

A U.S. Department of Agriculture report concluded:

The breakup of farms into smaller units apparently was a way of improving incentives to use land more intensively and of obtaining additional production from available labor. Agricultural output per hectare is much larger on small farms than on large

farms in Taiwan. For example, in 1965 agricultural production per hectare as measured by farm receipts averaged twice as large on farms under 0.5 hectare as it did on farms of over 2.0 hectares. Small farms have much higher expenses per hectare than do large farms, but small farms also have much higher net incomes per hectare [33, 1968, p. 40].

The Taiwanese experience includes the performance of family farms under a variety of circumstances:

During the 1945-48 rehabilitation period, sugarcane yield averaged higher on the family farm than on the corporate farm (one such farm, the Taiwan Sugar Corporation [TSC] produced sugarcane on 40,000 hectares). However, in 1949-55, TSC concentrated its efforts on improving techniques on its own farms. But yields were again generally higher on family than on corporate farms in 1956-60 when TSC provided extension and other services to family farms [33, 1968, p. 40].

Higher yields on Taiwanese family farms are attributable to the fact that:

. . . Workers on these farms have economic interest in achieving higher yields and therefore work harder and more carefully than hired labor on corporate farms. Moreover, most family farms produce hogs and poultry and therefore can make compost to fertilize their land. They interplant sugarcane with peanuts, soybeans, sweet potatoes, and cotton during early stages of production and thereby produce more crops per hectare than the corporate farms [33, 1968, p. 40].

Summary

This section has explored some of the factors responsible for the displacement of small farmers -- technical economies of size, external factors such as access to bargaining power in agricultural markets, access to land and credit, and the effects of U.S. agricultural tax policies. Taken together, these factors have contributed to the difficulties faced by small-scale producers and have provided an institutional environment geared to large operations, which has caused the continued displacement of small farmers.

It is clear that technological advances, generated in large part by research conducted in the land grant college system and supported by public funds, have worked to increase the minimum size of the "optimal-sized" farm. The main technical factor responsible for cost-savings on larger farms appears to be capital equipment. Studies which have defined optimal farm size attribute the inefficiency of smaller than optimal farms to the fact that capital equipment designed for large-scale production would be under-utilized on small farms. If modern machinery could be made available to small operators through custom hiring, or efforts were made to develop more suitable machinery, then presumably small farmers could become as technically efficient as large farmers. On the other hand,

advantages for larger farmers in the use of machinery are offset by diseconomies in labor utilization. On balance, there are apparently few, if any, across-the-board cost advantages to large-scale farming other than those arising from machinery.

The increased mechanization of agricultural production has contributed to the overall decline in the number of small operators, especially those with limited access to land and capital. The almost complete displacement of tenants and sharecroppers has also been the result, in part, of this mechanization which has made large-scale farming more practical. Moreover, unless there is an expansion of custom hiring which can extend to small farmers these technical economies, there will be a continued exodus of small farmers in the future.

While technical disadvantages may not be clearly evident, the disadvantages of small farmers in terms of access to credit and land and in terms of a weak bargaining position in agricultural markets are quite severe. Small farmers face considerable difficulties in obtaining needed credit and in acquiring and maintaining access to farm land. These two factors have contributed heavily to declines in the number of small farmers and are difficult problems to overcome. Poor people's cooperatives may help small farmers overcome some of the marketing problems, but the history of poor people's cooperatives has not been bright.

Finally, while technical problems make it impossible to measure the precise impact of government policy, there can be little doubt that past and present policies have had a net effect of displacing small farmers. Many programs such as the commodity programs have directly aided larger producers with the necessary land and capital base to take advantage of their provisions. Tax policies favoring large farmers have caused distortions in agricultural markets and forced up the price of farm land. The vast network of U.S. governmental agencies have had important influences on the changing structure of agriculture. Small farmers have been given little help from these agencies while their larger neighbors have profited from sizeable subsidies both in cash payments and in the form of research and technical assistance [8, 1975]. Much subsidized research has not been applicable to small-scale production. Also, there have been few outreach programs to make available to small farmers the few research and advances that could be of use to them. Moreover, small farmers, and especially small nonwhite farmers, have been frozen out of the decision-making process which determines the direction and implementation of policies.

Foreign experiences provide some useful insights into the role of the small family farmer. In the first place, small farms have demonstrated considerable viability, even in socialist countries like the Soviet Union where the ideological environment is hostile to this organizational form. Similarly, the experiences of Taiwan and Russia suggest that on the average small farms can be more efficient than larger ones in producing the same crops. The experiences in various countries also suggest that smaller family farms might be most efficient in labor-intensive crops requiring limited amounts of land and capital.

However, since the small farm must be considered in the context of the

economic, political, and social systems of various countries, international generalizations must be made very cautiously. The experience of Taiwan, Israel, or the Soviet Union cannot be transferred uncritically to the United States. Food shortages in all of those countries have caused their governments to encourage the growth of smaller family farms, whereas the official position of the United States between the 1930s and 1970s was based on the assumption that the main agricultural problem was surpluses and that small farmers were not efficient and therefore should be discouraged. Programs in the U.S. Department of Agriculture designed to encourage the growth of small farmers have received very limited support from top departmental officials. The American experience with small farmers might have been quite different, for example, if we had adopted policies similar to those in Taiwan. There credit and technical assistance have been made readily available for small farmers. Cooperative organizations of small farmers were encouraged and, in fact, played an important role in establishing stable demand conditions under which agricultural output was produced and distributed.

Despite the hazards of international comparisons, it is fairly clear that farmers have a strong preference for owning the land they till and that under these circumstances will produce as efficiently as they can in response to market incentives. There can be little question that larger farms have serious management and labor problems. Hired managers are more cautious in making decisions that might cost them their jobs, and it is difficult to hire labor to do the quality of work that owners will perform on their own land. In farming, timing of decision making and the quality of labor inputs are very important.

The experience in the United States and abroad also reveals considerable diversity among farmers of all sizes; this diversity is concealed by the use of aggregate statistics. As measured by profits and losses, there are efficient and inefficient farms in all size categories. An objective of public policy should be to study in depth the causes of efficiency and inefficiency in order to isolate the reasons why some farmers of a given size are relatively efficient while others are not.

The future of small farmers, without substantial changes in the institutional environment and without a concerted effort by public institutions, is bleak.

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CHAPTER IV

POLICY CONSIDERATIONS

Small Farmers

If the future prospects for small farmers are to improve, there must be a new orientation in public policy and new roles for public institutions.

Those who support present policies argue that these policies have served the nation well. Certainly it is true that while the number of farms has been declining, agricultural output has increased dramatically. The smaller number of farmers has been able thus far to keep up with the rising domestic and world-wide demand for agricultural products and prospects for avoiding future domestic food shortages appear promising. However, this rather narrow perspective does not take into account the tremendous social and human costs associated with the changes in the agricultural system. One of the greatest tragedies in the past several decades was the large-scale displacement from agriculture of people ill-prepared by education, training, or experience for nonfarm jobs. Clearly this has resulted in increased urban congestion, with all its associated problems and costs, as well as widespread poverty and unemployment in rural areas. While the fact that fewer small farmers remain means that not as many people will be displaced in the future, it will continue to be costly to do nothing. Moreover, the smaller number makes the problem more manageable in terms of public expenditures.

From a social and human resource development perspective, the role of public policy should be to provide more options for people. Some small farmers may wish to remain in farming, either on a full-time or part-time basis. Public policy should make this option viable. Others may want to leave farming altogether. Public policy should provide the opportunities for a smooth transition from the farm to the nonfarm sector. In the past, our public policies with respect to agriculture and rural development have generally neglected human resource development. While agricultural policies have often worked to displace the poor, both white and black, virtually nothing has been done to prepare the displaced for alternative employment. Those displaced were, for the most part, forced either to lead precarious existences in rural areas or to migrate to cities where urban miseries were substituted for rural ones. Because small farmers tended to be economically and politically disorganized, and consequently powerless, public policies that vitally affected them were made without consideration of their interests.

It is clearly in our interest, from a national, regional, and individual perspective, to provide some options for people who wish to remain in farming. From an individual or family perspective, the goal for public policy is to raise incomes and reduce poverty. Farm income can play a part in achieving this goal and options for remaining on the farm either on a full-time or part-time basis should be developed. From a regional perspective, many areas, especially in the rural South, are declining or depressed. The need is for an in-

creased number of income-generating opportunities. Farming has been an important part of the economic structure in the past and could, given the necessary stimuli, provide opportunities for large and small farmers alike. Subsidizing people to produce food might be a better policy option than comparable expenditures on welfare or public employment. One of the more important lessons of experience with manpower programs over the past 15 years is that jobs are difficult and expensive to create. Maintaining job opportunities in farming might be a more desirable strategy than remedial programs to deal with future displacement.

In developing appropriate public policies for the agricultural sector, it is important to recognize the heterogeneity of the characteristics and desires of the farming community. As the earlier discussion indicated, even within the broad classification of farms by size, there are important differences in terms of full and part-time farming, younger and older farmers, and a wide range of patterns of farm and nonfarm employment combinations.

The chief problem with current policy has been that it has created a system environment geared almost solely to large-scale production which has made it difficult for the small farmer to survive. This must be reversed.

Top priority should be given to ending the continued existence of a discriminatory bias in public agencies. Minorities, especially in the South, have experienced racial discrimination in terms of employment in public agencies, participation on public advisory and policy-making councils, and in the provision of services. Such discrimination clearly is not in the public interest. But discrimination exists not only against minorities. The small farmer, both white and black, has not received an appropriate share of public services, despite the clear evidence that the few small farmer programs adopted by the land grant colleges have been cost effective and have significantly improved the conditions of small farmers. Public agencies should play an active role in providing comparable services to small and large farmers alike and in establishing an institutional environment in which the small farmer can exist.

Because interests of small farmers need to be represented in a uniform, organized manner, public policy should support private research, training, and demonstration efforts by such organizations as the National Sharecroppers Fund and the Federation of Southern Cooperatives. Support of such groups would make it possible to demonstrate the effectiveness of different approaches to small farmers' problems.

Another essential factor in increasing opportunities for smaller operators is an improved information network. The Cooperative Extension Service was established to provide such information and has performed well for large farmers. Special programs could go far in making modern agricultural techniques available to small farmers. Moreover, institutions, and especially the land grant college systems, should be encouraged to devote more energy and research to improving the efficiency of small-scale production. Providing new and existing technical knowledge to small farmers is essential to raising the efficiency of small-scale production and increasing the incomes of smaller operators.

The problems of small farmers are not limited, however, to technical inefficiency. They also face severe capital and land limitations, which often arise from the general lack of credit. Our field work found capital shortages to be a widespread constraint on improving and increasing production on small farms. It is clear that small farmers are not being adequately served by existing credit institutions, including the Farmers Home Administration. FHA, as a public institution and one established with the specific aim of providing credit to small farmers, should take the lead in changing the credit picture for small farmers. Because they need its expertise on credit and technical assistance, efforts also should be made to see to it that the Banks for Cooperatives address the needs of small farmers. Even if this happened, it would be necessary to encourage the growth of organizations like the Southern Cooperative Development Fund and a rural development bank. A rural development bank could coordinate public and private efforts to provide credit for rural development. If small farmers are to survive, improved credit sources are essential.

It is clear that small farmers have been ignored in the past and will continue to be ignored in the future because they lack economic political power. They need and must develop strong organizations to capture the external economies such as quantity discounts, marketing strength, etc., and to enable them to apply pressure to counteract institutional bias. Public and private support for cooperatives is an important means of helping small farmers achieve a self-sufficient status.

The small farmer problem is not strictly an agricultural one. As clearly described, many small farmers have strong ties to the nonfarm sector and are heavily dependent on nonfarm incomes. Clearly there is some limit to the amount of income that can be generated from farming small plots of land, and, in many instances, it will not be enough for a decent standard of living. It will therefore be useful: (1) to provide opportunities to raise agricultural incomes through improving efficiency and assisting expansion of small farms and (2) to increase the opportunities for nonfarm employment for both operators and related members of farm families. Nonfarm public programs such as manpower training, public employment, income maintenance, and rural industrialization will increase the options for nonfarm incomes as well as provide for a smoother transition from the farm to nonfarm sectors for those who are forced or desire to make such a switch. It should be noted that higher nonfarm incomes will likely encourage larger numbers of small farmers to remain in farming by raising the general level of living in rural areas.

In addition, a general program of rural development, including health and welfare programs as well as employment, training, and job creation, will do much to improve the economic position of small farmers and to increase the options for future individual, regional, and national development.

Some of the specific programs to improve the conditions of small farmers include:

- (1) The adoption of a rural development strategy based on the system's approach to development as discussed in Chapter I. The present agricultural system is biased against small farmers. Since the

U.S. Department of Agriculture shows so little interest in small farmers, all federal programs designed to improve the conditions of small farmers should be removed from the U.S. Department of Agriculture and placed in a separate agency whose main interests might include the welfare of *all* small businesses. Clearly the system relevant to the problems of agribusiness is not applicable to the problems of small farmers combining farm and nonfarm incomes.

- (2) A Rural Development Bank should be set up to provide credit to small farmers and to promote rural development. The present system is biased against small farmers because credit is rationed to large farmers with established records (where financial institutions are able to obtain credit information at low costs) and because profit margins might be higher for larger operations, even though smaller farmers have the ability to repay loans and interest. Special programs should be adopted to make it possible for young farmers to acquire sufficient capital to establish farms. Such a program currently operates in Canada.
- (3) Measures should be taken to stabilize agricultural prices. Unstable prices have a particularly detrimental effect on smaller farmers who have inadequate resources to carry them through bad years. In addition to a price support system to reduce the downward movement in prices, careful attention should be given to a countercyclical purchasing program to buffer agricultural price fluctuations and increase national and international food reserves. While it is tempting to advocate prohibitions of large international agricultural purchases in United States markets, these prohibitions probably are unworkable, because purchases can be made in other international markets. However, more should be done to see that farmers, rather than grain trading companies, benefit from profits made on international transactions.
- (4) Special attention should be given to the development of farm equipment more suitable to the needs of small farmers. Such equipment has been developed in other countries. It might be useful to encourage the importation of this equipment into the United States and to tax more heavily the use of large energy-intensive technology that puts heavy pressure on energy supplies and the environment. Special tax breaks might be given for organic farming and the use of equipment more suitable for small farmers. Because of the risks involved in large-scale capital and energy-intensive agriculture, it is in the national interest to encourage diversity.
- (5) International research and demonstration projects on the problems of small farmers should be encouraged by the United States. We could learn from countries in which small farmers have been successful. Governmental agricultural research funds should be increased to meet the problems of small farmers. However, research funds should not be distributed uniformly to land-grant colleges but should be dis-

tributed to public and private institutions by a federal agency not controlled by the U.S. Department of Agriculture.

The kinds of questions that need to be examined in this research could be: [a] What accounts for the greater efficiency of some farmers within any size category? [b] What kinds of farm products are most suitable for relatively small farmers? [c] What are the most effective techniques for producing these crops? [d] What kind of organizations having to do with land-owning, credit, and marketing are most suitable for small farmers? [e] What kinds of nonfarm skills are most compatible with small-scale farming? [f] How can these skills be developed by small farmers? [g] How can off-farm work in the private sector and on major public works be coordinated with small-scale farming?

- (6) An outreach program should be developed to communicate research and demonstration results to small farmers. The Extension Service might be able to undertake such a program through the use of aides, but, if they cannot or will not, a separate system should be set up.
- (7) It is tempting to recommend measures to limit the competition of mainly nonfarm enterprises with those engaged primarily in farming, but such recommendations probably are not workable or desirable. However, special attention should be given to the growth of market power in food and agriculture and to closing tax loopholes which promote investments primarily for tax rather than productivity considerations. Some measures should be taken to create countervailing powers to offset heavy concentration of market power on one side of the market; such measures would include: [a] providing a government-sponsored mechanism to promote organization and collective bargaining by small contract farmers who deal with large corporations; [b] encouraging and supporting low-income cooperatives; [c] providing government-sponsored marketing facilities for small farmers as alternatives to selling agricultural products in markets controlled by a single buyer.
- (8) Special attention should be given to the effects of land speculation on the ability of small farmers to survive or new farmers to get started. Land trusts might be encouraged to take the profits out of land speculation and to see that the increases in land values accrue mainly to those who till the soil and to insure that adequate land is available for farming at prices related to the potential returns in agriculture.